SPECIAL EDITION

Php75 AUGUST 1, 2005

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BREAKING UP THE PHILIPPINES INTO AUTONOMOUS STATES

ISSN 1655-2199

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Fast Track To Federalism

ONE MAJOR ELEMENT THAT WAS MISSING IN EDSA 1 AND PERHAPS LAtent in EDSA 2 is now strongly felt in the simmering political crisis. Provinces outside Metro Manila are either alienated by the events in the big city or resentful of the imperial metropolis and how, once again, it is deciding the fate of the country.

Some local leaders have articulated these sentiments—with drama and flair. Ilocos Sur Gov. Luis “Chavit” Singson, Davao City Mayor Rodrigo Duterte, and North Cotabato Gov. Emmanuel Piñol have threatened to declare their regions as independent republics. We heard of reports that other provinces would stop sending their produce to Metro Manila—if another “people power” revolt unseats the President.

While these may be exaggerated, the core feeling is real—that their lives need not hinge on the politics and turmoil of Metro Manila.

While President Arroyo has spoken positively about federalism as a solution to the conflict in Mindanao, she raised the ante during the crisis. In her July 7 address to the nation, when she asked her Cabinet members to resign, she explained the need for a change in the political system, calling for changes in the fundamental law of the land “to confront basic issues such as federalism.”

It is a welcome call, made urgent by the division that we’re seeing today between the seat of power and other parts of the country, in contrast to EDSA 2 when the lines were drawn between economic classes. This marked difference may be the culmination of decades of a feeling of exclusion, exacerbated by the Manila-centric national media.

Yet, through the years, many provinces have thrived and prospered, thus giving them new confidence. It was decentralization that produced this boost.

In this issue, we take our country a few steps farther down the decentralization road and look at a federal Philippines. The economic prospects are bright.

We are happy to bring you this special issue with the support of the Embassy of Switzerland led by Ambassador Lise Favre. They have left editorial judgment to us.

We hope that you’ll find this a useful reference.

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NEWSBREAK
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PUBLISHED FORTNIGHTLY BY NEWSBREAK PUBLISHING INC., WITH EDITORIAL AND BUSINESS OFFICES AT UNIT 502, GABRIEL III, AMETHYST DRIVE, ORTIGAS CENTER, 1600 PASIG CITY, PHILIPPINES

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CIRCULATION: circulation@newsbreak.com.ph
SUBSCRIPTIONS: subscription@newsbreak.com.ph
MARKETING/ADVERTISING: ads@newsbreak.com.ph

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CONTENTS

VOLUME 5 NO. 15 | AUGUST 1, 2005

6 DEVOLUTION-PLUS
Towns and provinces have succeeded despite limited decentralization. They'll have more with federalism.

8 A NEW ORDER
The Philippines' current legislative and executive setup will allow for a smooth transition to a parliamentary-federal system.

10 GUNS, GOONS, GOLD, GONE?
Devolution compelled local elites to build political machinery rather than being outright warlords. Federalism will force them to be more accountable.

11 SECOND HOME
The countries where many Filipinos find a better quality of life are working under federal systems. Get a glimpse of the 'livable' cities in Australia, Canada, Switzerland, and Austria.

18 TIME TO TALK MONEY
Some issues to address about financing federalism

19 ILOCOS: NORTHERN GATEWAY
The 'Ilocano Republic' will thrive on agricultural products and tourism services patronized by Taiwan, Southern China, Japan, Vietnam, and Korea.

21 CORDILLERA: RECLAIMING WEALTH
The poor indigenous peoples can finally benefit from their region's natural riches.

23 CENTRAL LUZON: INDUSTRIAL HEARTLAND
It will be the show window of the Philippines' trade niches.

26 METRO MANILA: SHARED PROSPERITY
Take away its power base and Metro Manila will rely more on the other states to help its people live decently.

27 SOUTHERN LUZON: IT'S GOT EVERYTHING
Metro Manila's closest neighbor has power, fuel, water, and food sources—and its leaders are used to working together.

30 BICOL: NEIGHBORS' FEEDER
The region supplies adjoining regions with electricity. Its untapped agricultural resources can feed them as well.

32 WEST VISAYAS: THE NEXT GROWTH CORRIDOR
The Ilonggo provinces, recently joined by Palawan, can capture the energy, tourism, agriculture, and fisheries markets.

34 EAST VISAYAS: THE QUEEN REIGNS
The Cebu-centered state will be so rich it can buy the resources that it lacks.

36 SAMAR ISLAND: IN NEED OF POWER AND PRAYERS
Region 8 has tourism and mining potentials, but it needs a steady supply of electricity to get down to business.

38 NORTH & WEST MINDANAO: PLAYING CATCH-UP
With abundant raw materials and cheaper power, the area bids fair to become one of the country's richest.

40 CENTRAL & SOUTH MINDANAO: HOME OF BIG BUSINESS
Agro industry giants produce from Davao and Soccsksargen, but pay taxes in Manila. The 'food basket' regions want to collect what's due them.

42 BANGSAMORO: 'MAKE IT A FREEPORT ZONE'
The Muslim region can then independently trade with their neighboring countries, like Indonesia and Malaysia.

About the Cover

GROWTH, FINALLY? Federalism promises to allow the regions or states to maximize their economic potentials.
COVER PHOTOGRAPHS BY BOBBY TIMONERA AND HARLEY PALANGCHIAO

DEVOLUTION-PLUS

Towns and provinces have succeeded despite limited decentralization. They'll have more with federalism.

BY **ALEX BRILLANTES JR., RAPHAEL MONTES JR.,** *and* **JOSE TIU SONCO II**

WE'VE ALL SEEN THOSE SITUATIONS—PARACETAMOL AND ANTI-diarrhea drugs delivered to areas where anti-rabies medicines were needed; bridges and roads built where hardly anybody uses them; artesian wells dug where footpaths and bridges were needed instead.

The centralization of political and administrative decision-making in Manila resulted in non-responsive governance. Policies, programs, and projects of the national government tended not to address the specific and unique needs of communities.

This changed considerably with the enactment of the Local Government Code in 1991, which decentralized powers from Manila. There have been successes and failures with the newfound powers and responsibilities at the local level. Power over resources, however, remained with the national government—with the President deciding which local government units (LGUs) should get more assistance (often, based on the local officials' personal loyalty to the President), and with the national government passing down more responsibilities to the LGUs without devolving the funds needed to carry them out.

Still, some LGUs significantly gained from devolution where the national government has failed—in service delivery, responsiveness of local policies, and people empowerment and participation.

Innovative local governments came up with homegrown solutions in environmental and ecological management, local generation and use of resources, health and social welfare, even infrastructure and agricultural development.

There has been a common observation, however, that decentralization, particularly financial decentralization, has exacerbated the disparities between the poor and rich local governments. This is most evident in the delivery of services and in the level of human development across LGUs and regions.

A special concern has been raised, too, about the inability to resolve the armed conflict and to stop the secessionist movement in the South despite the creation of the Autonomous Region in Muslim Mindanao.

Some scholars, local governance practitioners and experts, policymakers, civil society, and local constituents believe that federalism will address those issues and concerns about our "incomplete" devolution. To them, federalism is a higher form of devolution that works within the context of Philippine democracy, as provided for in the Philippine Constitution and the Local Government Code.

ANDY ZAPATA

A sea urchin seeding project in Santiago, Ilocos Sur, is spearheaded by Rep. Eric Singson.

And they are correct. Federalism can scale up the gains of decentralization and local autonomy. It would strengthen local governments and empower the people and communities through full decentralization.

In a federal setup, there would be meaningful financial decentralization—LGUs will have improved tax collection responsibilities; there will be fiscal equalization from the national to LGUs, and from one LGU to another; improved local expenditure management; and improved public service delivery.

It would provide clearer division of powers between central authority and sub-national governments, specifying the exclusive powers and shared responsibilities.

Federalism would contribute to greater political stability and accountability by transferring greater responsibility from the central government down to the local level or unit, also known as vertical power sharing. It would accommodate a quasi-sovereign Muslim Mindanao to transform secession into a political exercise and not an armed struggle.

Mechanisms will be put in place to improve intergovernmental relations and cooperation, thereby enabling contiguous local governments to work together in providing policy solutions and coordinated actions to issues that have interjurisdictional effects or impacts.

Federalism, in other words, is the next logical step after devolution. Experiences around the globe show that federalism is an alternative—or even a solution—to linguistic, regional, economic, and cultural differences among political units, national, and local government units.

It would promote unity in diversity and ease the tension between the ethno-linguistic regions and "Imperial Manila." Federalism would create an environment where nation building emanates from the regional and local units to the national level—from the bottom upward. It would strengthen people empowerment and political participation in local and national decisions. It would provide proportional representation of different political cultures and enable political integration.

Of critical importance, it would provide coherent planning, direction, and action of sub-units within federal states or regional governments toward improving service delivery and reducing poverty, ultimately contributing to national economic growth and the attainment of development goals.

Devolution is actually a form of decentralization. Our studies have shown that decentralization can be plotted along a continuum of the extent of transfer of powers to sub-national authorities. Deconcentration is at one end of the continuum and separatism at the extreme. In between these two main points are devolution, regionalism, and federalism.

Essentially, federalism, in the Philippine context, would radically change how we view government. Under a unitary setup, the point of reference is the national government. Even with the Local Government Code, Manila is still the center of government with policies and guidelines emanating from it. Manila still sets the parameters of general governance.

The process of shifting to federalism requires finding the right balance of powers, shared responsibility, and degree of local autonomy—considering the diversity of regions in the Philippines—toward nation building. Indeed, shifting from a unitary state to a federal system of government is not an easy task and cannot be done overnight. It should not be fast-tracked. Hence, it has to be subjected to serious debates, consultations, and policy studies. All sectors of the society have to be involved. We also have to learn from international experience—the successes and failures—of countries that adopted federalism such as Switzerland, Germany, Austria, the United States of America, and Canada, among others. N

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A NEW ORDER

The Philippines' current legislative and executive setup will allow for a smooth transition to a parliamentary-federal system

BY **MIRIAM GRACE A. GO**

LYN RILLON

NO MORE MAYORS AND GOVERNORS FLOCKING TO MALACAÑANG to lobby for projects. Or, as critics—and some of her allies—say, no more President Arroyo to keep local officials indebted to her by deciding what towns and provinces the funds should go.

The depletion of presidential powers, and the emasculation of what we now know as Congress and local governments, will be one of the major changes that can be expected once the Philippines adopts a parliamentary-federal form of government.

The proposals of the two major groups advocating this shift—the Citizens' Movement for a Federal Philippines (CMFP) and the Coalition for Charter Change Now (CCCN)—are almost the same. Their few differences lie in the mechanics for the shift. Both have produced draft constitutions.

The president will become just a symbolic figure, performing ceremonial functions. The real powers to set government policies will rest upon the prime minister, the equivalent of the current speaker of the House. Parliament, or what we now know as the lower chamber of Congress, will exercise lawmaking and executive powers. It will replace Malacañang as the symbol of national government.

The prime minister will be elected by members of parliament (MPs). He or she will appoint cabinet ministers from among the MPs. The MPs will be elected from political districts and through party list. The number of the current congressional districts and party-list seats (220) will increase to about 300. The party list will be restored to the original free-for-all system of proportional representation that the framers of the 1987 Constitution intended it to be, away from the reserved-seat system for the "marginalized" that the Supreme Court interpreted it to be.

CCCN, which is associated with Speaker Jose de Venecia Jr., wants to establish a unicameral parliament and have the Senate abolished. CMFP, led by political scientist Jose Abueva, is proposing the creation of another chamber called the House of States, with much fewer seats. It will be composed of nominees chosen by the state assemblies (the legislative bodies of the states).

Under the national or federal government will be the states. The states will be the administrative regions that we have now, although reduced in number.

Federalism advocates initially proposed 11 states, which became the basis of NEWSBREAK's articles *(pages 19 to 43)* on how the would-be states can become economically viable.

Abueva later proposed just 10 states. The Cordillera, which his group originally proposed as one state, would be merged with the Ilocos region that initially included only Northern Luzon and Cagayan Valley. There are 16 regions today.

CMFP determined which regions should be merged according to their historical, cultural, and linguistic ties; their geographical accessibility to each other; and their economic viability together. Some regions, however, are averse to being merged with others, as in the case of Central Visayas and Eastern Visayas (*see pages 34 to 36*).

The state's general policies will be set by the state assembly, the local version of parliament. The state assembly will draft the state constitution, to be made consistent with the federal constitution. Members of the state assembly will be elected by the provinces within the state and by the parties represented in that assembly (the local version of the party list).

The administrative jurisdictions that provincial governors have now will be abolished. In federal countries, there is no level of government between the region (state) and the cities and municipalities.

The state will set and administer its own elections—a departure from the present centrally run setup that has led to the much-discredited position of the Commission on Elections.

The state assembly will elect the state governor or premier, much like how the parliament at the national level will elect the prime minister.

The local government units (LGUs) that CCCN mentions are only the cities and municipalities, and it wants these created by law, as provided under the present Constitution. CMFP wants the barangay units preserved, but is not clear how it wants the LGUs created.

To coordinate the governance of LGUs, the state will create a council in each province to be composed of the mayors and headed by an assemblyman. The concept will be like the present Metropolitan Manila Development Authority (MMDA). The policies of the MMDA are set by the council of Metro Manila mayors, but its chair is appointed by the President, not from among local elected leaders.

The LGUs will be left on their own in imposing taxes, exploiting their natural resources, and delivering basic services like health, education, and housing. In Switzerland, the cities and municipalities collect the taxes and just remit what's due the cantons (or states). Right now, LGUs can only collect real estate taxes and fees from business permits.

In federal countries, the national government has limited taxing powers, some of which it has to share with the states.

The federal government's limited fiscal powers will naturally limit its powers over the LGUs. The only time a federal government will get to exercise a little of that dispenser-of-favor type of power is when it determines the allocation of the equalization fund—something that both groups have yet to figure out.

In some federal countries, the equalization fund is pooled from states that have above average income, so assistance can be given to the poor states. This ensures that all citizens of that country, regardless of what state they live in, are provided the same basic services (although the quality will differ from state to state).

There's a debate over whether the shift to a parliamentary government should be simultaneous with the adoption of federalism. CCCN now wants to first establish the parliament, which in turn will create the states. This may mean that some regions, due to economic nonviability, may not be granted statehood immediately.

CMFP wants both changes done simultaneously. It says that states should be created by the constitution, not by parliament. It fears that if parliament is created ahead, it may become comfortable with its powers and forget—or block—the shift to federalism.

But the advocates of federalism might just set aside their differences now that calls are mounting for the powerful but scandal-hounded President Arroyo to step down. There may not be another chance for sweeping constitutional amendments to be so acceptable. N

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GUNS, GOONS, GOLD, GONE?

Devolution compelled local elites to build political machinery rather than being outright warlords. Federalism will force them to be more accountable.

BY **ALEX BRILLANTES JR.** *and* **RAPHAEL MONTES JR.**

SO FEDERALISM WILL REMOVE POWER FARTHER AWAY FROM MAnila, and empower leaders in the regions—therefore, the local political elites—more. Will this granting of quasi-sovereign powers at the local level be the catalyst for the resurgence of stronger guns, goods, and gold (the Three Gs) in Philippine governance?

Critics and opponents of federalism warn that it would. They say that a multicultural society like the Philippines can fall into anarchy, disunity, warlordism, and disintegration.

Philippine politics has often been characterized by the dominance of political elites who employ violence, money, and manipulation in gaining and preserving control of local government posts. The framers of the constitutions of 1935, 1973, and 1987 opted for a unitary form of government with a high concentration of powers at the center.

However, the 1987 Constitution paved the way for devolution through the Local Government Code of 1991, which gave local governments greater political, administrative, and fiscal powers to govern more effectively.

Despite the continued presence of these political families, the successes under the devolved setup have outweighed its perceived negative effects. The profile of local leadership has changed, drawing more leaders from a wider spectrum of society than the traditional political dynasties.

Accountability at the local level has been enhanced with the more direct citizen participation in local governance and a vigilant media. Together with the banning of political dynasties and a strong effort to disband private armies, devolution has compelled local elites to resort to political machinery rather than outright warlordism. Although there are still cases of political violence, the irreversible effects of devolution have changed the political climate at the local level.

Devolution has recognized that different localities have unique situations that only they know how to handle. Federalism, too, recognizes that diverse cultures have different ways of solving problems under different structures of government and society.

Federalism is therefore seen as the solution to the lingering secessionist movement in Muslim Mindanao, which has long fought for cultural and economic equality and greater self-determination. In some proposals, the formation of a separate Bangsamoro State has been offered to accommodate the unique government, judicial, and educational systems of Muslim Filipinos.

Certainly, a federal constitution would not be the solution to all the Philippines' worries.

But to a certain extent, the shift toward federalism would make local elites work within the framework of a more accountable federal system. It is important to note that the current 79 provinces of the Philippines will not be automatically converted to 79 self-governing federal states. Provinces, even regions, will be merged, and thus won't make room for the continued dominance of a single family in one jurisdiction.

For example, the formation of the Calabarzon and the Mimaropa regions into the Southern Luzon state would leave the political dynasties of Batangas, Cavite, Laguna, Rizal, Quezon, Mindoro, Marinduque, and Romblon (Palawan has been merged with Western Visayas) in default competition against each other and emergent non-traditional leaders for control of the state government. This would compel them to work within the state's constitutional system, which may even foster inter-elite cooperation and alliance building.

Local elites have adapted to the devolved regime after 1991, increasingly abandoning the Three Gs and using legitimate channels to gain power. There is no reason to believe they will not adapt again.

Still, more accountability mechanisms should be incorporated in the constitutions or charters of sub-national units. The gains from the Local Government Code should be preserved and enhanced. Nongovernment organizations and citizens' groups must continue to have a voice in policy-making in local governments. Civil society must continue to be involved in monitoring government operations.

Federalism offers an even closer interaction between citizens and government. At the minimum, national government will be left with inter-state affairs, defense, and foreign affairs. With more direct interaction, the state government will be held accountable by a much larger section of the population.

However, strengthening accountability mechanisms would not succeed if the rule of law were not reinforced. Checks and balances must continue to be present in the sub-national levels. Insurgent groups and private armies must be disbanded, and secessionist groups drawn into the political process. The police and the military should be professionalized to prevent their field units from turning into private armies for local officials.

Federalism is not the solution to warlordism, but neither will it plunge the Philippines back to the pre-martial law era of political kingpins and dynasties. Warlordism has been a problem for both unitary and federal systems. The unitary experiment of the Philippines has not shown that a highly centralized government could quell warlords, who do not seem to recognize any government authority other than their own.

But the experience of devolution has compelled these warlords and political dynasties to evolve with the changing times. Some of them have fallen by the wayside, replaced by dynamic nontraditional leaders, while some have successfully transformed themselves into viable options for continued leadership in their localities. N

BOBBY TIMONERA

SECOND HOME

The countries where many Filipinos find a better quality of life are working under federal systems

MANY FILIPINOS "KNOW" WHAT FEDERALISM IS, BUT MAY HAVE only a vague idea of what it is all about. They get a sense of it when their relatives and friends write from the United States, Canada, or Australia—the three top destinations of immigrants from the Philippines.

When the letter writers talk about everyday comforts—like sidewalks that are safe for a stroll with the baby, trains and buses arriving on time, and the absence of blackouts for years—they are talking about the fruits of federalism.

When they write about getting enviable social privileges—like parents' suggestions being followed by the city school board in running public schools, reading local newspapers that investigate and explain community concerns, paying hospital bills of as low as five dollars, and being able and willing to pay higher taxes because they know these will be given back to them in the form of good services—they have become used to federalism as part of their everyday life.

Because federalism is not so much about the government structure as it is about communities being empowered by law and the political setup to determine how they want to be governed.

In federal countries, the national government concerns itself only with matters that transcend local boundaries, like defense, foreign affairs, immigration, and currency. The delivery of services that directly affect people's lives are the responsibility of a lower level of governments (called states, regions, provinces, cantons, territories, republics, oblasts, parishes, or emirates) through cities and municipalities.

Since the local governments have the responsibility to deliver most of the services to the public, they have greater powers than the national government to impose taxes—or, in the case of some countries, they have as much right as the national government to do so.

In Canada, for example, "there is no hollow federalism—because every level of government is funded by the Constitution," Canadian Ambassador Peter Sutherland told NEWSBREAK.

This is in contrast to the Philippine setup, where, despite the delegation of powers and responsibilities to provinces, cities, towns, and barangays, the taxing powers and financial resources remain, for the most part, with the national government.

In federal countries, local governments are able to respond to the specific and unique demands of their constituents because they have control over their resources and are in touch with the people.

Sutherland says that certain programs may not work uniformly across local governments. In a federal setup, local governments have the flexibility to adopt only those programs that suit their communities.

In the Philippines, regional bodies and local governments are often forced to revise or abandon their priorities and plans, which are based on the situation on the ground, in favor of the agenda set by the national government—agenda that are usually detached from grassroots realities.

In an interview with NEWSBREAK, Swiss Ambassador Lise Favre pointed out that in "an archipelago as spread out as the Philippines and home to communities that are so diverse, a more decentralized form of government might better respond to the needs of the people."

She shared that in Switzerland, "cantons operate autonomously and are only expected to comply with the general direction of the central government." Power really emanates "from the bottom up," she said.

One reason territories find no problem asserting their autonomy from the federal governments is their history: they used to be separate states that federated or came together. The Philippines is taking the route in reverse—it is a republic that seeks to fragment itself into autonomous states. The two major groups that are advocating the shift have proposed that the country be divided into 10 or 11 states, according to the cultural and linguistic ties, as well as economic potentials of the territories.

There are only 25 federal countries among the 200-plus countries in the world—and most of the federal ones are extremely progressive economically. The research and advisory firm Economist Intelligence Unit does an annual international survey of cities where health and safety, culture and environment, and infrastructure make life easy for expatriates. Eleven of the 15 most livable cities are in federal countries. *(Carmela Fonbuena gives snapshots of these cities in the succeeding pages.)*

No wonder, many Filipinos have found federalism their second home.

—Miriam Grace A. Go

MELBOURNE

City in Style

MELBOURNE IN THE STATE OF Victoria was Australia's original capital before another economic power, Sydney, challenged it, and Australians settled on Canberra as a compromise.

Melbourne is famous for its lifestyle. Residents have a passion for three things: football, fashion, and festivals. The city is filled with restaurants, boutiques, and cafés, and there are festivities the whole

year through. These factors made Melbourne top the Economist Intelligence Unit's survey on the best cities to live in.

The city's economy is hinged on Port Melbourne, Australia's largest and most modern container port. It handles over 40 percent of Australia's overseas container trade. Melbourne Airport, one of the world's best, is a 24-hour international airport.

The University of Melbourne is one of the top universities in Australia. Statistics for 2001 show that 32 percent of international students in Australia were enrolled in Melbourne universities, compared to Sydney's 20 percent.

SYDNEY

Australia's Face

ALTHOUGH CANBERRA IS THE COUNTRY'S CAPITAL, SYDNEY HAS become Australia's face to the world. Whether for business or tourism, international visitors flock to Sydney more than any other Australian city.

It is the prime driver of the country's economy, highly and densely urbanized. As it continued to grow, it expanded its territory to include neighboring suburbs.

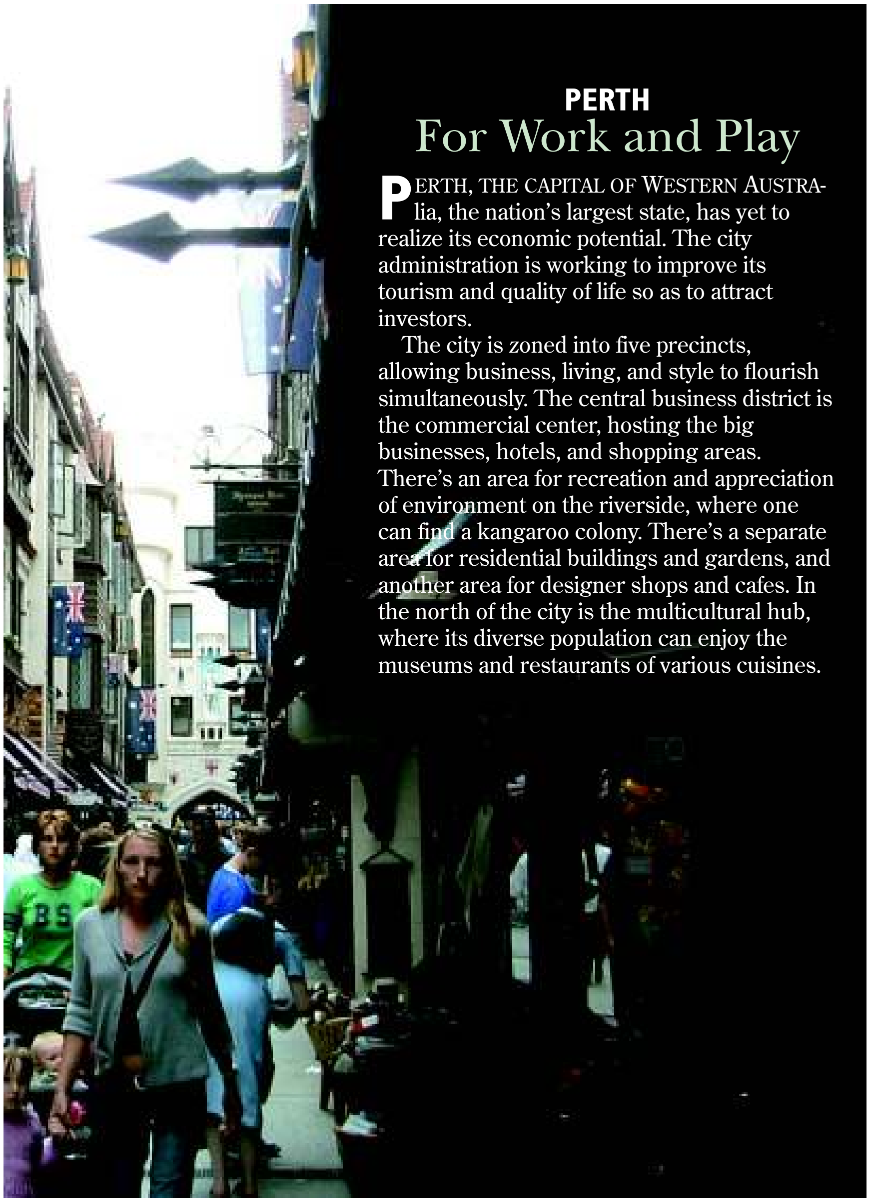
In 2003 to 2004, the city of Sydney had a GDP of AUD 63 billion, representing 8 percent of Australia's total economy. It employs about 345,000, one-third of whom are professionals. This is because Australia's industries are global—business and financial services and telecommunications. The state controls the ports, waterways, transportation, and some banks.

It is home to many expatriates; one-third of its workforce are in fact expatriates, many of them Asians.

PERTH
For Work and Play

PERTH, THE CAPITAL OF WESTERN AUSTRALIA, the nation's largest state, has yet to realize its economic potential. The city administration is working to improve its tourism and quality of life so as to attract investors.

The city is zoned into five precincts, allowing business, living, and style to flourish simultaneously. The central business district is the commercial center, hosting the big businesses, hotels, and shopping areas. There's an area for recreation and appreciation of environment on the riverside, where one can find a kangaroo colony. There's a separate area for residential buildings and gardens, and another area for designer shops and cafes. In the north of the city is the multicultural hub, where its diverse population can enjoy the museums and restaurants of various cuisines.



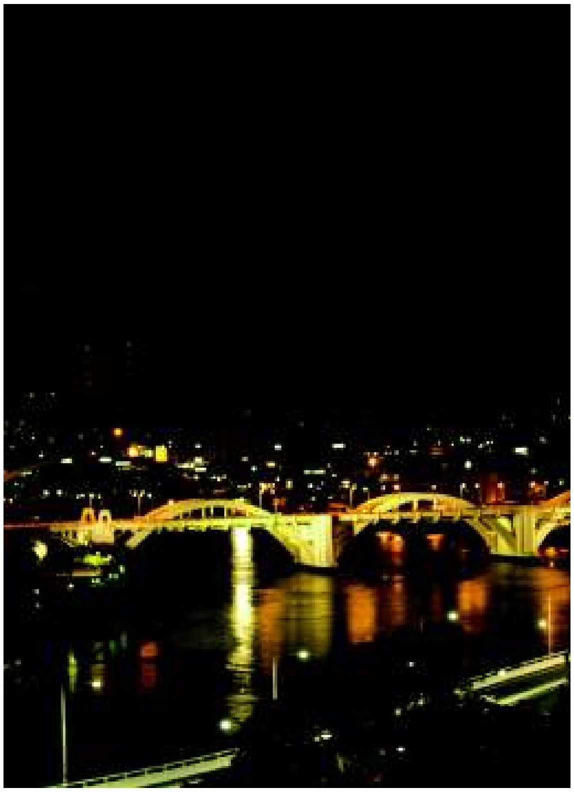
BRISBANE
River City

BRISBANE, THE CAPITAL OF QUEENSLAND, IS Australia's third largest city after Sydney and Melbourne. Twenty-six percent of its population are expatriates, among them a small community of Filipino-speaking immigrants.

Bordered by the Brisbane River, the city is the center of retail and business activity in Brisbane Shire. It is famous for its climate—sunny most of the time and ideal for festivities.

Brisbane has become a prime residential area with the construction of high-rise condominiums in the central business district. Many, if not most, of the residents are professionals who want their homes to be a walking distance from business offices, churches, universities, and public transport terminals.

The city is also positioning itself as the regional gateway for business, education, health services, and recreation. It has developed a "Sister Cities Program" with neighboring Asian cities—Kobe (Japan), Semarang (Indonesia), Kaohsiung (Taiwan), and Daejon (Korea).



ADELAIDE
Vineyards and Wine

IF ONLY FOR ITS GRID-LIKE STREETS WITH VICTORIA SQUARE IN the center, Adelaide's central business district is a welcome beacon to tourists, who can easily find their way to business establishments, shopping centers, restaurants, and cultural museums. Adelaide joins Sydney and Melbourne as Australia's centers of manufacturing.

But Adelaide now is restructuring to specialize in business, tourism, and entertainment. It is moving space-intensive jobs to the suburbs to accommodate high-end industries in the central business district.

The city is also unique for its wine industry. In the Barossa Valley, vineyards cover the landscape—a scenic area that has drawn tourists. Adelaide's problem is its slow population growth. It is losing its young population to other states and overseas at a greater rate than it is attracting them.

“Canadians [generally] have a law-and-order approach to life. So whatever the state does, it is expected to be in pursuit of peace, order, and good governance”

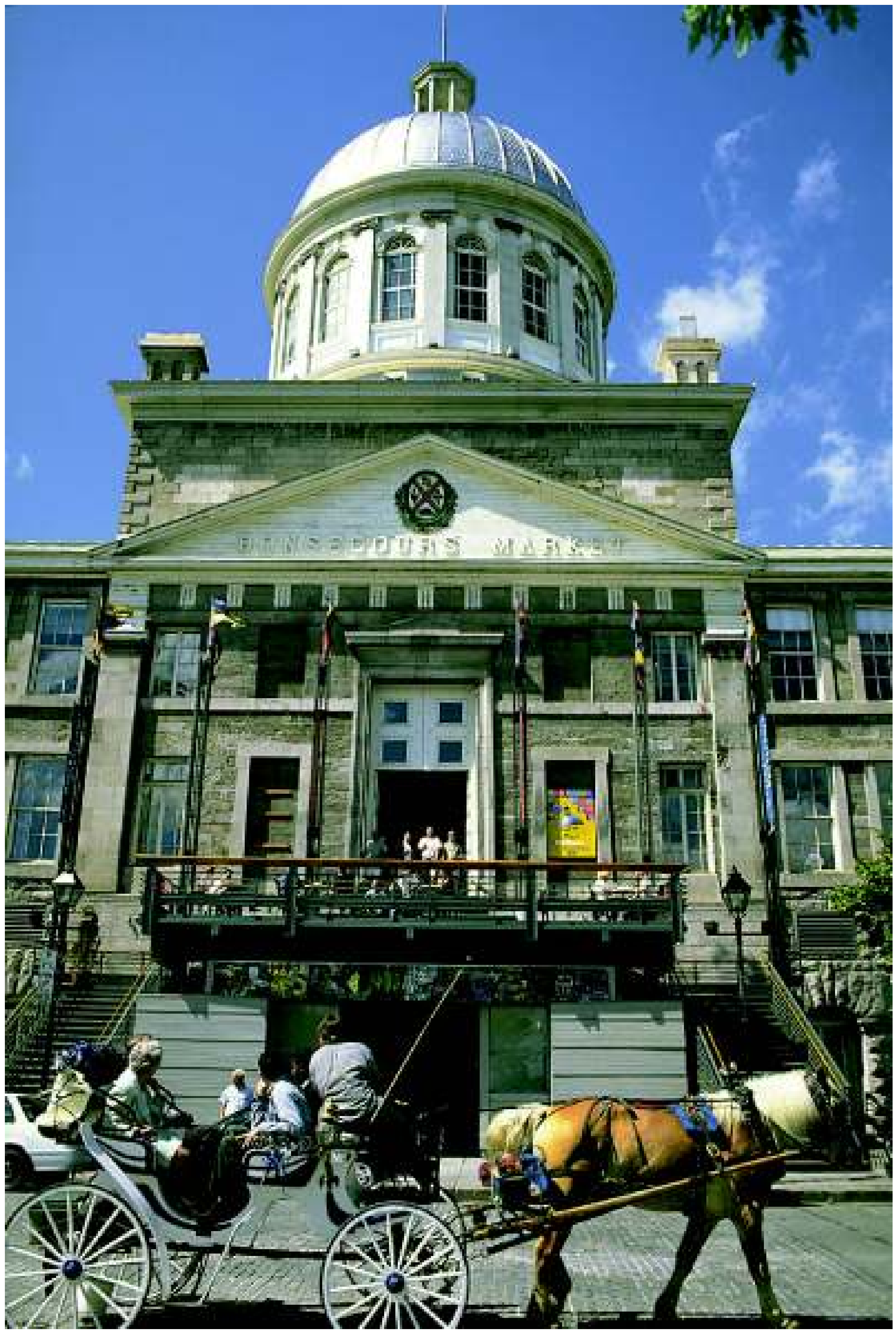
—CANADIAN AMBASSADOR PETER SUTHERLAND

PAUL MATA

MONTREAL
A Taste of Europe

UNTIL TORONTO CAUGHT UP WITH IT, Montreal, a city in the province of Quebec, used to be the economic center of Canada. Montreal is a mix of Western urbanity and European sophistication that typifies Quebec. It is one of the largest French-speaking cities in the world, though most of its inhabitants also speak English. Quebec’s policy to keep French as one of its primary languages has turned off many English-speaking people, causing some of them to leave. There remain, however, many other ethnicities. There is Little Tokyo and Chinatown, among others—keeping multiculturalism in Montreal.

Montreal’s economic progress is centered on the harbor on the St. Lawrence Seaway, Canada’s most important port—connecting the city to the industrial centers of the Great Lakes. It has railways and two international airports, allowing for efficient transshipment of goods—oil, grain, sugar, machinery, and manufactured goods. Along with a financial service center, it has high-end industries such as pharmaceuticals, high-tech steel, electronic equipment, and refined petroleum.



VANCOUVER
A Busy Port

VANCOUVER IS THE PRIMARY CITY OF WESTERN Canada. Its location is strategic. Surrounded by water on three sides, it is the main exit of the country's transcontinental highways and rail route.

Economic activities are focused on the Port of Vancouver, Canada's largest and most diversified port. It trades more than CAD 43 billion in goods with 90 countries annually. Port activities alone generate 70,000 jobs.

The population is multicultural. The majority of the people are English and Chinese speaking, but other communities are growing, including immigrants from the Philippines. With this special population, Vancouver has established multilingual phone services to aid them.

Its industries are primarily mining, forestry, and banking. But Vancouver is steering its economy to the more high-end industries of software development and biotechnology.

Nonetheless, Vancouver keeps a balance between economy and environment. It is famous for it parks, hundreds of them, including the famous Stanley Park. It is a combination of natural forest and parklands.

TORONTO
Medical City

APART FROM BEING THE SITE OF THE WORLD'S TALLEST BUILDING—THE CN Tower—Toronto is famous for its healthcare and educational systems.

It has an extensive medical community—the most advanced hospitals and research facilities. They have come up with breakthroughs in modern healthcare research. Toronto's universities have also distinguished themselves in allied fields. The University of Toronto's Faculty of Medicine, for example, is recognized by the United Nations as one of four international centers of excellence for multidisciplinary approach to cutting-edge research. Other universities offer a wide range of courses in humanities, social and physical sciences, other medical fields, engineering, and architecture.

Toronto's location is economically strategic, too. It is only about two hours away by plane from industrialized cities in the US such as New York, Boston, and Chicago. With over a hundred ethnic groups, Toronto offers a good labor pool to international companies. It has one of the lowest crime incidences in Canada.

VIENNA
Music Capital

VIENNA STANDS OUT FOR ITS CULTURE AND tourism. Being the music capital of the world, it is home to several theaters, opera houses, and museums. Among other reasons, this is what makes Vienna a favored site for conventions, fairs, and exhibits.

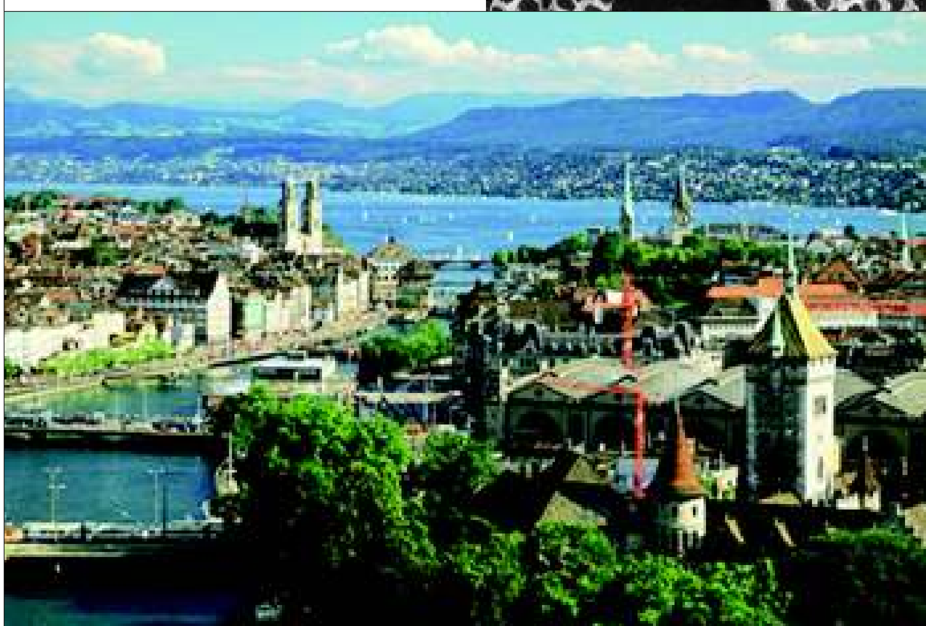
It is also the seat of many international organizations, and is one of the four officials seats of the United Nations.

Vienna's economic strength lies on the research establishments that employ thousands of Viennese. It cradles about 800 research establishments, mostly into high-end and high-tech projects developing electronics, micro-electronics, and biotechnology.

Despite industrialization, Vienna doesn't neglect its environment. It is a model environmental city for having a climate protection program against global climate changes.

“[Our citizens] are given the sense that they own their city. They decide for themselves.”

—SWISS AMBASSADOR LISE FAVRE



ZURICH
Machine in a Garden

ZURICH IS SWITZERLAND’S BIGGEST, STRONGEST, AND RICHEST CANTON—THE ECONOMIC center that makes more than half of Switzerland’s total wealth and employs the constituents of neighboring cantons.

Although it’s one of the fastest-growing cities in the world, Zurich, like the rest of Switzerland, is very conscious of its environment. This is what primarily makes it among the most livable cities in the world.

Its industries are high-end, mostly in trading and banking, and do not capitalize on the environment much. At the very least, infrastructure is carefully planned to keep the city’s natural landscape. With its efficient transport system, too, many would rather commute than drive their cars.

Zurich is also home to the greatest brands of Swiss watchmaking—Rolex, Swatch, Cartier, Omega, and Tag Heuer—and to Novartis, one of the world’s leading pharmaceutical companies.

Business is concentrated in the Greater Area of Zurich so that families can maintain their rural lifestyle outside this area. Generally mountainous and landlocked, Switzerland has a natural landscape. Zurich has the Alps on one side and the shores of Lake Zurich on another. The biggest waterfall in Europe, the Rhine Falls, is also found there.

GENEVA
International City

GENEVA IS HOME TO MANY INTERNATIONAL organizations—governmental and nongovernmental—so that almost half of its population are expatriates. Called the “City of Peace,” it has a long international tradition that makes it a melting pot of cultures.

In the 16th and 17th centuries, Geneva was a place of refuge for Protestants persecuted in their countries, making it the Rome of Protestants. The Red Cross was established there in 1863. In

1919, Geneva became the headquarters of the League of Nations, the forerunner of the United Nations.

The city’s economic progress is ascribed to the internationally renowned schools and research institutions based there. It hosts the European Centre for Nuclear Research.

Its government and the people cooperate well. Once, residents of Geneva voted in favor of raising their taxes so that the city government could finance city services and maintain infrastructure.

Its geographic location also makes the city a prime tourist destination—encircled by the Alps, the largest lake in Central Europe, and the Jura mountains. Given its diverse population, it is a natural center of arts and culture.

Geneva is not an easy destination for aspiring immigrants, however. With only four percent of the land area of Switzerland suitable for settlement, the city has to limit its population. It keeps its beauty by staying small.


Magandang araw
mula sa San Miguel
Sa pagsisikap, natutupad ang maraming pangarap. Alam ng San Miguel ito. Kaya naman sinisikap nito na gawing mas masarap, mas maginhawa ang bawat araw. Itinataguyod ang mga programang nakatutulong sa pagpapaunlad ng buhay at kabuhayan. Tulad ng "Operation Linis Taal" sa Batangas na nangangalaga sa kalusugan ng mga isda doon. At ang "Tulong-tulong sa Tullahan" na muling binubuhay ang Tullahan River para sa kapakanan ng mga taga-Malabon at Valenzuela. At siyempre, mahusay na gumagawa ang San Miguel Corporation ng mga de-kalidad at abot-kayang mga produkto para sa bawat Pilipino.
SAN MIGUEL CORPORATION

TIME TO TALK MONEY

Some issues to address about financing federalism

BY **LEONOR MAGTOLIS BRIONES**

FOR THE PAST 40 YEARS, FEDERALISM has been proposed as a viable alternative to the presidential system. The persistence of political crises, chronic deficits, rebellions, and instability has intensified the search for an alternative to the presidential system and the ineffective party system that it perpetuates.

The most emotional debates have focused on the political aspects and implications of the proposed shift on distribution of power and clout. However, issues of financing federalism are equally important and urgent. After all, what is political power without the corresponding financial clout?

Now that the shift is becoming more attractive in the light of the Gloriagate crisis, it is time to talk money. If we are dead serious about abandoning the presidential system, let us ask ourselves these questions:

- **What are the initial cost items in making the shift?**

Billions of pesos will be required for the changing of the Constitution, setting up of the states or political regions that will form the federation, setting up of the state bureaucracy, and the delivery of state services.

A constitutional convention will be preceded by an election of delegates. Once convened, the convention will entail the daily costs—salaries, supplies, and equipment.

The states, when created, will spend on the election of executive officials and members of the state legislatures. State offices and agencies will be set up to implement policies and deliver services to the people. State employees will have to be hired.

Funds will be needed for the basic services that the state will have to provide.

- **Where will the money be coming from?**

The cost of the constitutional convention will be borne by the national government, which is already crushed by its accumulation of fiscal deficits. Revenue sources will have to be identified to cover these huge costs.

At the state level, taxes will likely be a major source of funding for services. New state taxes will mean additional tax burdens. Taxes that are currently collected by national government and local government units will have to be shared.

Non-tax revenues can be explored. However, considering that the states will be new, sources of non-tax revenue, like rentals and privatization, may not be availed of.

State-owned enterprises are a possibility, although they should not follow the example of national corporations, which are adding to the fiscal burdens of the government.

Borrowings appear to be an inescapable option for newly created states, some of which may not have the immediate capacity to set up tax and revenue systems. However, caution has to be exercised not to follow the experience of some states in other countries that have racked up massive deficits and expect the federal government to bail them out.

- **Who delivers what service?**

This question has to be resolved before a shift to federalism is made. The national government is expected to provide national defense and implement foreign policy. The state and the local governments within them should provide public safety, education, health care, recreation and culture, and transportation.

Financial implications are serious, considering the wide range of services to be delivered at the state level. The state may have to assume some of the taxing powers that are currently exercised by the national government.

Dr. Jose V. Abueva, former president of the University of the Philippines, recently came out with the book *Charter Change for Good Governance: Towards a Federal Republic of the Philippines with a Parliamentary Government*. It suggests a tentative distribution of revenue powers. It identifies existing national taxes and suggests which should be allocated to the states (*see table*). Nonetheless, specific criteria still have to be formulated. This will likely be the subject of detailed and, perhaps, even messy negotiations among the national government, states, and local units.

- **How about the debts of the national government?**

With the shift to federalism, the national government's debts, both domestic and foreign, should remain with the national government. However, with a much reduced tax base, the national government will even be more hard-pressed to scrounge for additional resources. As it is now, it is already spending over a third of its budget for interest on debt!

Obviously, a way has to be formulated to share the national debt burden. Otherwise, the national government might collapse from the terrible burden of increased debt with a decreased revenue base.

- **How will the imbalances in income, resources, and capacity among states be corrected?**

Social Watch, a group that belongs to a global network that monitors social developments, has estimated that 39 out of 79 provinces will not be able to halve extreme poverty by 2015. It is obvious that the proposed federation will have states whose level of poverty will rival those of some African countries. It is likewise obvious that the present sharing system of internal revenue allotment has exacerbated the yawning gaps between the poorest local units and the richest ones. It is important therefore to formulate equity schemes designed to assist the poorer states. Again, massive funding will be required.

So let us not argue only about political power. Let us also worry about where the money will be coming from. N

LEONOR MAGTOLIS BRIONES is a professor at the UP National College of Public Administration and Governance and co-convenor of Social Watch Philippines.

MORE TAXING POWERS

FOR THE PROPOSED STATES TO BE ABLE TO deliver the wider range of services required of them, they will need to have powers to collect taxes other than those allowed them under the Local Government Code. Federalist Jose V. Abueva proposes what revenue powers the national government—the future federal level—can give up in favor of the states or local governments.

THE EXISTING NATIONAL TAX BASES

Income Taxes	
Individual Income Tax	yellow
Corporate Income Tax	orange
Taxes on Estates and Trusts	red
Estate and Donor's Taxes	red
Value-Added Tax	orange
Other Percentages Taxes	
Tax on Persons Exempt from VAT	red
Common Carrier's Tax	red
Franchise Tax	yellow
Overseas Communication Tax	red
Tax on Banks and Non-Bank Financial Intermediaries	yellow
Tax on Finance Companies	yellow
Tax on Gross Receipts of Life Insurance Companies	yellow
Tax on Sales on Shares Listed and Traded Through Local Stock Exchange or Through Initial Public Offering	red
Excise Taxes	red
Documentary Stamp Tax	yellow
Tariffs and Customs Duties	
Import Duties	red
Export Duties	red
Taxes Under Special Laws	
Motor Vehicle Registration Fees	yellow
Private Motor Vehicle Tax	yellow
Immigration Tax	red
Travel Tax	yellow
Charges on Forest Products	yellow

red: *taxes that the federal government will retain*
yellow: *taxes that will be transferred to the states*
orange: *taxes that will be shared by the federal govt and states*

LYN RILLON

NORTHERN LUZON

NORTHERN GATEWAY

The 'Ilocano Republic' will thrive on agricultural products and tourism services patronized by Taiwan, Southern China, Japan, Vietnam, and Korea

BY **CARMELA FONBUENA** *in La Union*

ILOCOS SUR GOV. LUIS "CHAVIT" SINGSON RECENTLY CALLED FOR AN "Ilocos Republic." If President Arroyo is ousted, he said, Ilocanos will form an independent republic consisting of Region 1 provinces Pangasinan, La Union, Ilocos Sur, Ilocos Norte, and some parts of the Cordillera Administrative Region (CAR).

This proposal triggered a similar sentiment in other regions, but some local politicians are laughing it off. "We in Congress have long been joking about the idea of an Ilocano republic," said Ilocos Norte Rep. Imee Marcos. "We're saying: we only need to burn some bridges and we can come up with something short of secessionist state. And we will sell Batanes to the Taiwanese."

Thirty-one Ilocano-speaking representatives in Congress have joined to form the Northern Luzon Alliance, whose strength lies in the idea of a Solid North. Although a political bloc to reckon with, they know that economically they are underdogs.

"Davao, Cebu, and Metro Manila can become independent anytime," Marcos said, adding that Ilocano provinces are surviving on central government allocations—the Internal Revenue Allotment (IRA) and the tobacco levy.

Singson's idea of an Ilocano republic is different from the proposal of federalism advocate Jose Abueva, who would combine Region 1 and Region 2—Batanes, Cagayan, Isabela, Nueva Vizcaya, and Quirino—to form the Northern Luzon state. Either grouping has a predominantly Ilocano population.

Regions 1 and 2 are "two sides of the same coin," said Medardo Panlilio, chief economic specialist for Region 1 of the National Economic and Development Authority (NEDA). Apart from similarities in culture and language, both regions are predominantly agricultural—with rice and corn as major crops.

The archdiocese of Nueva Segovia in Vigan, Ilocos Sur, used to have territorial jurisdiction over all the provinces of Northern Luzon. This suggests that the two regions had coexisted, said Laoag Mayor Michael Fariñas. The residents are primarily Ilocanos or members of tribes with blood ties to Ilocanos, said Nueva Vizcaya Rep. Rodolfo Agbayani.

"It's complementary—Region 1 is predominantly coastal and Region 2 is mountainous," said Fariñas. "I don't think we will find it difficult to [coexist]."

SLOW ECONOMIC GROWTH

In a federal form of government, the state will have control over its income and resources—which projects to fund and by how much. In the current centralized form, the Department of Budget and Management allocates funding for the different government services, leaving little fiscal power to the local government units.

"Planning will be more realistic when you are in charge of the budget," said Panlilio. He said many local governments take great pains to develop their economy, only to end up short in budgetary funds.

"It is easier to be creative when you are more flexible," said local government consultant Manuel Tabunda.

In theory, a federal government will make economics, instead of politics, prevail in decision-making. Leaders will be directly accountable for the budget, said Dagupan Mayor Benjamin Lim.

But Renato Simbulan, vice president for Northern Luzon of the Philippine Chamber of Commerce and Industry (PCCI), doubts the economic viability of Region 1 and 2 as an independent state. "They are slow in economic growth."

The two regions had a total population of about eight million with a combined Gross Regional Domestic Product (GRDP) of about P55 billion in 2003.

Region 1 is 67.49 percent dependent on the IRA; Region 2, 93.33 percent. The incidence of poor families in 1997 was 37.8 percent for Region 1 and 32.1 percent for Region 2, higher than the national average of 31.8 percent.

EXPORT AND TOURISM

But this does not mean that the proposed state could not make it on its own. "Viability is a matter of management," said Tabunda.

"It may be difficult in the beginning, but the way of the Ilocanos is to live within their means," said La Union provincial administrator Geoffrey Tilan.

Local officials say it will only take a good leader with political will. "We don't want a warlord," said Lim.

There's a lot of money to gain from fixing the tax system alone, said Tabunda. "The properties in these regions are greatly undervalued. They need to be appraised."

Economically, the two regions remain unexhausted, according to NEDA's regional development plan (RDP) for 2004 to 2010 for the two regions.

The potentials of the proposed Northern Luzon state are in agro-industry and tourism, said Simbulan. They have to increase agricultural productivity and tap the export industry and tourism to expand the market.

The RDPs of the two regions show that only about 50 percent of the total irrigable land is irrigated. Panlilio explained that the limited market does not encourage farmers to expand and produce more. The same NEDA report for Region 2 explains that most farmers are reluctant to invest in high-value crops because of the absence of ready market.

"Our own market is essentially the population," Panlilio said. Region 1 has the eighth largest population among the regions. It is also eighth in economic size. "The only way to increase the market is to consider export potential."

Tobacco remains the top export of Region 1, accounting for 48.68 percent of export earnings from 1998 to 2003. In the same period, it also accounted for the biggest share (36.41 percent) in investment generation. Earnings from to-

bacco, however, are only about 3 percent of the total Gross Regional Domestic Product (GRDP).

Mining is a great potential for Region 2 that remains untapped. It is rich in mineral reserves—copper, gold, iron, manganese, and nickel—and nonmetallic mineral reserves—clay, limestone, perlite, rock aggregates, shale, and sulphur. The country's largest basin, the Cagayan River, is also found in Region 2.

To spur these industries, the RDP emphasizes the need for efficient tri-modal (land, air, and sea) transportation. The proposed state has to develop its existing airports and seaports. In Region 1, apart from the existing Laoag International Airport, Poro Point in La Union can also be developed into an international airport and seaport. Sual in Pangasinan has a seaport. Region 2 has its Cagayan Economic Free Port Zone. It has four public airports that need to be upgraded and improved—Basco, Tuguegarao, Cauayan, and Bagabag airports. It has seaports in Basco, Aparri, and Sta. Ana.

Tourism will be two-pronged, said Simbulan. These refer to the gains that can be made directly from tourism and the role that tourism can play as an expanded market for agro-industry.

Region 1, in particular, is being tapped as the "Northern Gateway" to the advanced economies of Taiwan, Southern China, Japan, Vietnam, and Korea.

Already, Fort Ilocandia in Ilocos Norte has become a "haven for Chinese tourists" because of its casino, Simbulan said. According to PCCI La Union president Robert Lim, there are also plans to put up a casino in Poro Point to boost industry and tourism.

While visiting the regions, tourists will be exposed to local products, and if they like these, there will be advertising through word of mouth. "It's cheap export. Tourism and agro-industry go together," said Simbulan.

Region 1 is working on a "tourism time zone," which aims to develop tourist destinations from Pangasinan to Ilocos Norte, said Palilio. This can be extended to include the tourist destinations of Region 2 and make it easy for a round trip from Pangasinan to Nueva Vizcaya. Among the most popular tourist destinations are the Hundred Islands in Pangasinan, UNESCO's World Heritage Sites in the Ilocos provinces and Batanes, the World War II memorial sites all over the area, and the extensive beaches, particularly Pagudpud Beach.

Tourism will also stimulate the services sector and provide more jobs, said Mayor Lim. "We are having problems on how to accommodate our visitors. Tourists like to be relaxed. There has to be more hotels, resorts, spas."

Another possibility is to turn Northern Luzon into a retirement and shopping haven for nationals of neighboring countries, he said adding that there is no problem with economic viability.

THE MISSING LINK

But Region 1 and 2 will be "difficult to govern geographically," said Simbulan. The two regions will be circular like the letter O, with CAR in the middle.

"It's too big," said Mayor Lim. "You have to think of manageability. The state governor will need a chopper to move around. The roads are bad."

Region 2, in particular, is landlocked and that feature hinders economic interaction with the rest of the country. It now relies on the Maharlika Highway as its main entrance and exit point from the south, and the Laoag Allacapan Road from the north. During the rainy season, these roads are sometimes closed because of vulnerability to landslides.

Like Singson, many Region 1 officials think it's more practical to be clustered with CAR. In the "existing system," Region 1 and CAR are economically one, said Tilan. "They cannot be in separate states."

The water supply of Region 1 primarily comes from the watersheds of CAR. Although abundant in water resource, Region 2 is a long stretch of land.

Economically, Region 1 is tied with CAR, too. The region's agricultural products are usually sold in Baguio, Tilan said.

"Unless we can be geographically connected [with Region 2], it has to be CAR and Region 1," said Lim. "We have been one ever since."

The provinces of Abra, Apayao, Benguet, Ifugao, Kalinga, and Mt. Province were originally part of Region 1 before they became a separate region in the '80s.

Northern Luzon produces 95 percent of the country's tobacco output.

ANDY ZAPATA

WHO WILL LEAD AND WHERE?

Given the proposed Northern Luzon state's political and geographic complexity, selecting a state leader and a state capital is going to be tricky.

In the current system, the politician closest to the president becomes the most powerful in the region. It is Singson at the moment.

In contrast, local leaders hope that in a federal government leaders will be chosen by their track record and capability.

The economic capital will "logically" be in Region 1, which has a more vibrant economy than Region 2, said Simbulan. Within Region 1, there are three options for the capital—the cities of Laoag, San Fernando, and Dagupan.

For having an international airport, Laoag will have to be the center, said Fariñas. Because of the airport, travel to and from Manila has become only 50 minutes by air, instead of 10 hours by land. Laoag is also the geographic center of the two regions. But it will be a problem for travelers from Pangasinan, Nueva Vizcaya, and Quirino going to Central Luzon.

"We will have to reverse our ways northward if Laoag becomes the center," said Agbayani. "We are inclined to go southward to Manila."

San Fernando City in La Union is the current capital of Region 1. Its advantage lies on its proximity to nearby urban cities of Baguio and Tarlac. Poro Point can be developed into an international airport and seaport. Laoag has no seaport.

On the other hand, Pangasinan, although geographically impractical, will be the economic power in the proposed Northern Luzon state. It contributes about 50 percent of the total economy of Region 1, said Palilio.

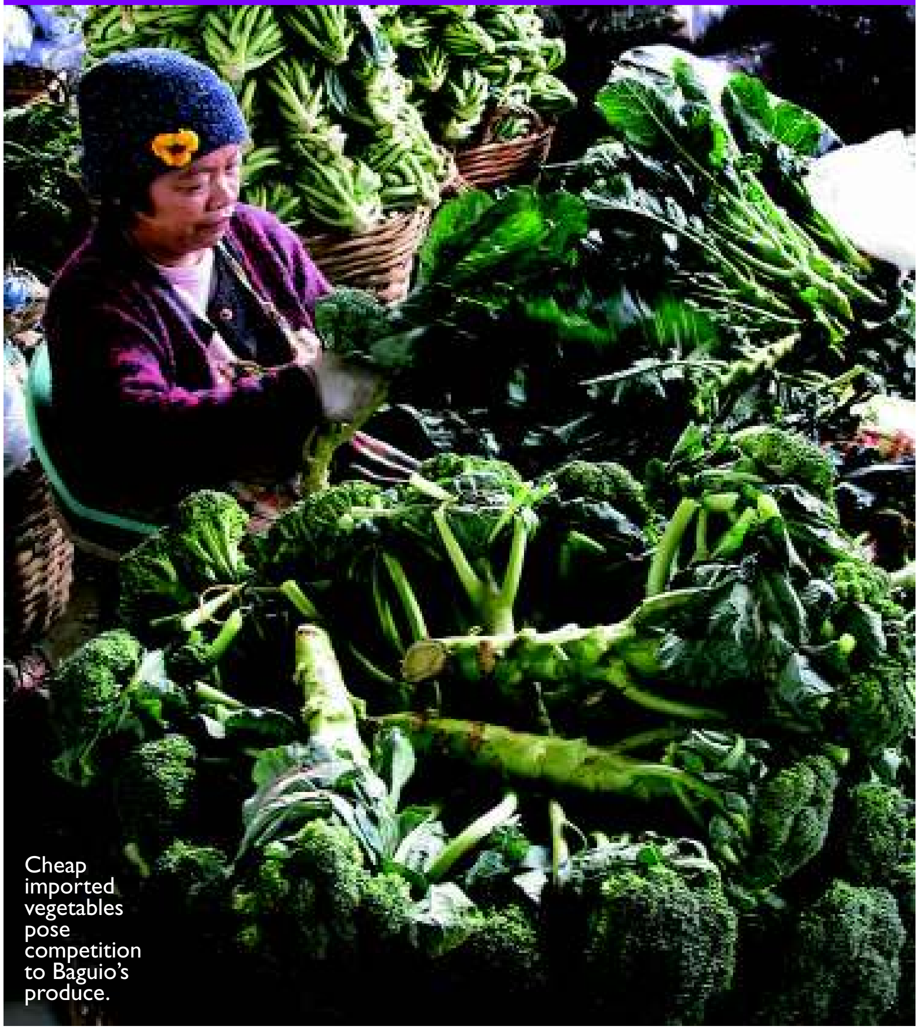
Given its large population, Pangasinan also has more than half of the region's employed persons in the industry and services sectors from 1996 to 2002. It has around 42 percent of employees in the agri-sector.

Local administrators say they may do what Australia did in choosing Canberra as the nation's capital. When the constitution for the Commonwealth of Australia was being crafted, there was a strong rivalry between the cities of Melbourne and Sydney to become the country's capital. As a compromise, it was agreed that another capital city (Canberra) would be built. N

CORDILLERA

RECLAIMING WEALTH

The poor indigenous peoples can finally benefit from their region's natural riches



Cheap imported vegetables pose competition to Baguio's produce.

HARLEY PALANGCHAO

BY **ARIES RUFO** *in Benguet*

THE CORDILLERA ADMINISTRATIVE REGION (CAR) IS HOME TO MORE than 1.3 million indigenous or ethnic people. The National Statis tics Office estimates that 92 percent of its population belongs to 14 indigenous groups. Never subjugated to Spanish and Ameri-can rule, they were able to maintain their ethnic integrity, culture, and self-styled governance through these years.

Given its cultural and historical background, the proposed Cordillera state—composed of the provinces of Abra, Apayao, Benguet, Ifugao, Kalinga, and Mt. Province—is one region suited to a federal form of government, asserts Rafael Gayaso, chief executive officer of the Baguio-based Northern Luzon Federation of Cooperatives and Development Center.

The Cordillerans themselves shot down a proposal for the creation of their autonomous region in 1990 and 1998, due to the failure of the proposed organic acts creating the Cordillera Autonomous Region to address some issues of ancestral domain.

Still, political and civic leaders believe that self-governance or autonomy is the only answer to CAR's widespread incidence of poverty, one of the highest in the country.

"We are rich but we are also poor," says Rose Bayan, auditor of the Philippine Community Organizers' Society (PHILCOS), a Cordillera-based non-governmental group pushing for federalism. "We have rich natural resources but we do not benefit from them."

POVERTY INCIDENCE

Government data show that CAR is one of the richest regions in terms of natural resources. Its positive reserve of metallic minerals is estimated at 962.601 million metric tons, with non-metallic minerals at 1.040 billion metric tons. It has the largest forest cover nationwide with 1.479 million hectares of forest area.

For a time, CAR's mining industry was the main engine of the region's economy and made up 25 percent of the country's total output. At present, it only contributes 16 percent, employing 10,000 to 13,000 workers.

Despite its abundant resources, CAR has remained deprived, with four of its provinces—Abra, Kalinga, Ifugao and Mt. Province—among the poorest in the country.

According to 2000 data by the National Statistical Coordination Board (NSCB), the incidence of poor families in these areas hovers from 38.8 to 55.6 percent of total families, against the national average of 20 percent.

Another poverty indicator is the almost total dependency of the local government units (LGUs) on their Internal Revenue Allotment (IRA) in the delivery of basic services.

Data from the Bureau of Local Government Finance in 2003 showed that except for Benguet, which had an IRA dependency of 80.97 percent, the rest of CAR provinces registered 91 to 98.92 percent dependency.

The only LGUs that registered less than 50 percent IRA dependency was the city of Baguio with 35 percent and the neighboring town of La Trinidad with 45 percent.

CAR also lags behind other regions in terms of economic growth, registering in 2003 a regional domestic product growth rate of only 3 percent, the fourth lowest among the 16 regions.

POOR TAX COLLECTION

Advocates of federalism say that a major reason the region remained disadvantaged despite its rich natural resources is the present tax system. Mayor Rogelio Leon of Kapangan town in Benguet told NEWSBREAK that many LGUs are hesitant to allow the development of their natural resources because the income will not accrue to their benefit anyway.

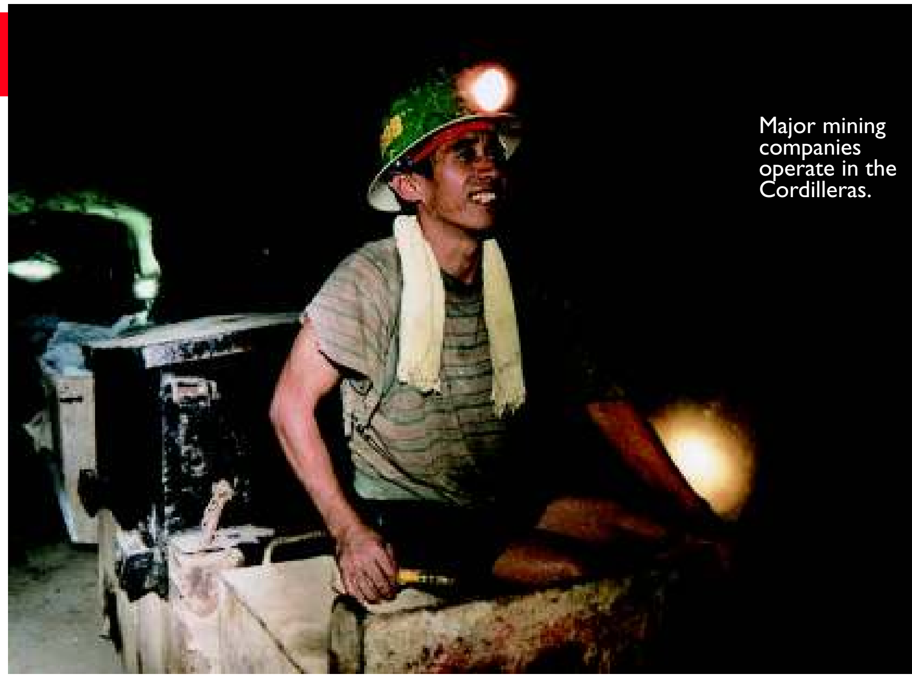
"It only goes to the national wealth. What we get in return is our share in the IRA, which sometimes is even delayed." A fifth-class municipality, Kapangan receives only P25 million in IRA annually, Leon says.

Former Baguio City administrator Virgilio Bautista says CAR's financial problem could easily be addressed if the exploitation of its natural resources and its proceeds is exclusive to the region. He said the mining and quarrying industry alone is a major source of income that can sustain CAR.

Data from the NSCB show that the region's production value for metallic and non-metallic minerals for 2003 reached a total of P5.66 billion. Exports of gold, silver, and copper were valued at P2.57 billion, P47.1 million, and P687.18 million, respectively. The major mining companies that operate in CAR are Philex Padcal Copper Mines, Lepanto'sVictoria Gold Mine, and Benguet Corp.

But because of the current setup where corporate income taxes go to the national treasury, LGUs only get local taxes like business permits and licenses, which were negligible in absolute value, Bautista says.

Thus, towns which host large mining operations had remained poor. One example is Itogon town, where Lepanto and Benguet Corp. operate. "Up to now it is still a fifth class municipality," says PHILCOS's Bayan.



Major mining companies operate in the Cordilleras.

ANDY ZAPATA

BLEAK ECONOMIC INDICATORS

While advocates say federalism would be best for CAR, they stress that there should be a transition period before the region can be economically sustainable. Long years of neglect have taken their toll on the regional economy, which is further battered by inequitable international trade agreements.

The mining industry, for one, is in decline as the big companies have begun scaling down operations, downsizing their workforce or permanently closing down.

Income tax from mining is in an erratic slide. From P70 billion in 1999, it went down to P22 billion in 2000; P62 million in 2001; P108 million in 2002; and a measly P5 million in 2003.

Bautista says the slump of gold prices in the international trade has forced the big mining companies to downsize some of their operations, which could adversely affect local employment. Philex, he said, is pulling out its operations in Tuba and Itogon towns, while Benguet Mining has closed shop. Lepanto, on the other hand, is beset with labor problems.

What's keeping the mining industry alive are small-scale mining and quarrying operations.

Bautista says agriculture, another major economic engine in the region, is under threat from the entry of imported vegetables from Australia, China, Taiwan, and New Zealand.

The cheap prices of imported vegetables, plus the high production costs of planting local crops, have prompted many farmers to abandon their farms, he said.

The cut flower industry, while steadily improving in the past years, has not been spared. Importations from Malaysia and Thailand have reduced the prices of local flowers by as much as 200 percent.

The slump in CAR's major economic sectors is matched by the LGU's poor tax efforts, which indicates the region's ability to raise its own financial resources. Data from the Department of Budget and Management show that CAR's tax effort is only 2 percent, way below the national average of 12.5 percent.

WORST INFRASTRUCTURE

Federalism proponents say that the central government has not really poured the needed investments, like infrastructure, into the region. This has prevented the Cordillera provinces from developing economic relationships.

The Cordillera Regional Development Plan has acknowledged that CAR "still has the worst regional transportation network in the Luzon area, with only 26 percent of the region's 50 critical road links classified as complete, 48 percent incomplete and the rest 'impassable.'" This dismal road situation is further illustrated by the fact that only 31 percent of the region's national road network is paved with either concrete or asphalt."

The communication system is behind as well. Only 47 percent of municipalities have operational public calling offices. Efforts to bridge the gap, like the French-assisted Telepono sa Barangay project, have been suspended due to lack of government counterpart funds.

The current tight financial condition of the government has hindered major infrastructure projects from being implemented. Government expenditure in the region averaged P10 billion a year, barely increasing on a year on year basis. The IRA received by the region, which amounted to P10.4 billion last year, was not of much help since the bulk went to payments of salaries and operational expenses of line agencies.

As a result, even efforts by LGUs to improve their infrastructure are hampered because "we cannot raise the counterpart fund," explains Mayor Leon.

WHEN SQUABBLING STOPPED, BAGUIO CITY GOT UP

AFTER THE POWERFUL EARTHQUAKE struck in July 1990, Baguio's tourism industry, at that time its prime economic engine, was not only down; it was out. In the next two years, investors and tourists continued to shy away, recalls former Baguio City councilor Virgilio Bautista.

The Naguillian and Kennon roads and the Marcos Highway linking Baguio to other provinces had remained generally impassable because of lack of government funds, almost cutting the city off from commercial and economic activity.

The situation changed when Fidel Ramos became president in 1992. He promised to pour the needed infrastructure investments to help Baguio's economy recover.

Ramos, however, exacted one promise from political leaders if help would come their way. "He told us to get our act together and disregard our political differences," Bautista said. The condition was easy to swallow, Bautista said, as Ramos also told them that they didn't have to jump into the administration party.

Bautista, a member of the Liberal Party at that time, realized that Ramos had no ulterior motive in helping Baguio. "We also realized that there is no point warring among ourselves. We cannot afford to push ourselves even deeper into economic decline with political differences."

The political leaders got their act together by sharing power and responsibility. An informal political affiliation was formed, dubbed Timpuyog (Ilocano for "coalition"), where leaders of different political shades were given committee chairmanships. "There was no party consideration. The majority and the minority worked hand in hand."

Various projects were initiated to attract the tourists once more, like the Baguio Re-greening Movement, the Clean and Green Movement, and the Flower Festival. In no time, Baguio was back on its feet.

—Aries Rufo

THE ROSY PICTURE

But CAR's potentials remain. Data gathered by NEWSBREAK show that, given the proper breaks, the region has the capacity to economically sustain itself.

CAR has an expanding manufacturing sector, accounting for 64 percent of the region's total output. This sector, which is concentrated in the Baguio Economic Zone, is expected to maintain its growth since demand for semi-conductor products produced by Texas Instruments Phils. Inc. continues to grow in the world market, the region's development plan noted.

Exports from locators in the Baguio Economic Zone steadily increased from US$1.652 billion in 1998 to US$1.87 billion in 1999 and up to US$2.982 billion in 2003.

Also spurring economic activity is the entry of industry operators in the business process outsourcing activities, notably the contact centers at the Baguio Ecozone. Two are currently in operation there and more are expected to come in because of cheaper investment cost compared to Manila and other urban areas.

The region can also tap the local tourism market. Gayaso, a member of the Regional Development Council, says, "Benguet has Baguio, Mt. Province has Sagada and the Bontoc rice terraces, Ifugao has the Banaue rice terraces and Mt. Pulag (the country's second highest mountain)."

Tourism department data show that CAR's tourist arrivals have consistently breached the one-million mark from 1999 to 2002, but slightly declined in 2003. Noteworthy is the fact that while Baguio remains the favorite destination in CAR, other provinces, like Abra, Benguet, and Kalinga, posted increases by more than a 100 percent. In 2003, the estimated tourism receipt was P6 billion.

The rise in tourism activity consequently led to an increase in hotel and restaurant investments, reaching its peak in 2002 when almost P4 billion in investments poured in. Local employment benefited from the increase because the boom created 7,500 new jobs.

Not to be written off, Gayaso says, is the mining industry which is expected to make a rebound following the Supreme Court ruling allowing the participation of foreign investors. At present, Gayaso says at least five applications for mining operations with foreign capital are pending in CAR: four in Benguet and one in Kalinga. Mt. Province also has a high potential for mining, he adds.

Another potentially rich source of income is CAR's timber resources found in Apayao and Ifugao and the lower part of Abra, Bautista says.

Agriculture, although contributing a small portion in the economic pie, may yet perform better as interventions are being put in place to stave off the adverse effects of globalization. The recent launching of the Food Lane Project—which runs from La Trinidad, Benguet to the North Expressway to Divisoria—will reduce transport costs and ensure timely delivery to buyers outside the region.

Bautista says lower Abra, Benguet, Kalinga, and Apayao could serve as the region's food basket.

ECONOMIC CENTERS

Sandwiched between Regions 1 and 2, CAR has the opportunity to develop economic relationships with provinces outside of its jurisdiction. The North Luzon Growth Quadrangle, which included Region 3, provides an avenue for economic cooperation that will also benefit its neighboring states.

Cordillera's economic blueprint is already spelled out in the Regional Physical Framework Plan (2004-2034) that the Regional Development Council helped formulate, Gayaso says.

The framework identifies two areas, namely BLIST (Baguio City, La Trinidad, Itogon, Sablan, and Tuba) and the East Central Cordillera Growth Corridor (ECCGC) as growth centers for economic activity.

BLIST would serve as the regional center and capital, while the ECCGC would be the agro-industrial center and the region's economic link to Cagayan Valley. ECCGC's core would be in Tabuk, Kalinga, and the neighboring towns of Rizal, Paracelis, and Alfonso Lista.

Secondary economic growth centers have also been identified, with the provincial capitals serving as an urban growth corridor. For instance, Metro Bangued and the neighboring towns would serve as the primary area for medium-scale agro-processing (canning, rice and feed milling, food processing); Kabugao, Pudtol, Luna, Flora, Santa Marcela towns in Apayao for agro-processing industries as well as handicrafts; Lamut, Lagawe and Banaue in Ifugao for eco-tourism ventures; and finally Bontoc, Sagada, and Bauko in Mt. Province for research based activities, conventions, and corporate activities.

Because Baguio City is the center of major economic activity and the base of regional government offices, Bautista says it is expected to be the state capital. However, Kalinga's capital, Tabuk, is also a good alternative "given its space availability." N

CENTRAL LUZON

INDUSTRIAL HEARTLAND

It will be the show window of the Philippines' trade niches

COURTESY OF THE SBMA

BY **TONETTE T. OREJAS**

SOME ADVOCATES of federalism had long wanted President Arroyo out of Malacañang, for another reason. Her being a micro-manager, they said, would make her an effective mayor or governor. She knows, like the back of her hand, how the Clark-Subic area should be developed.

In a speech in Angeles City last year, the President recalled that while still a senator, she realized that plans for the region's development always referred to a single growth "corridor" in the area. She thought this was incomplete.

"It was in the shape not of a corridor but of a W," she said. The left side of the W is tourism corridor (the beaches of Zambales and Bataan). The middle part is the industrial pyramid (the industrial estates in Zambales, Bataan, Pampanga, Tarlac, and Bulacan). The right side of the W is the agricultural corridor (the rice granary that is Bulacan, Pampanga, and Nueva Ecija).

Central to her vision for Central Luzon is a sophisticated network of air, sea, and land transport to make the region a gateway to other countries—an alternative to Manila. The federalists note that the President goes frequently to Clark and Subic to personally check on the developments of these gateway-related projects.

Don't be surprised then that if the country turns federal, Central Luzon already has what it takes to become an autonomous state—and a modern one at that.

The Diosdado Macapagal International Airport in Clark—a 2,500-hectare aviation complex—will soon emerge as the spunky alternative to the rundown Ninoy

CORPORATE BULACAN

There are two basic things that a local government unit should possess to be able to adapt in a federal setup with less effort, according to Bulacan Gov. Josefina dela Cruz: an efficient bureaucracy and a thorough tax collection system. Both of these are already in place in her province because she maximized the limited powers granted to her by the Local Government Code.

During her first term that started in 1998, Dela Cruz retooled the provincial bureaucracy. She dissolved irrelevant positions that sent some 400 employees jobless, but didn't save on personnel. She increased the salaries of the qualified civil servants who were retained such that they are now getting salaries competitive with the private sector.

Running the provincial government like a corporation, Dela Cruz introduced a system of measuring the cost-per-peso value of services. Efficiency is measured in minutes and how much it takes for people to get services. It garnered a Galing Pook award for innovations in local governance.

Bulacan also computerized its entire operation—the registry of real properties, the tracking of illegal drugs cases, the inventory of supplies and equipment in district hospitals, issuance of mayor's permit and licensing, and monitoring of aid to provincial cooperative and enterprise development.

The software for the Bulacan Information System was developed by local IT talents for eight years, with initial consultancy services provided by the USAID. The project won another Galing Pook award.

The provincial government consolidated the registration and assessment records of real properties and produced digital maps based on them. Since the database was completed, the capitol started sending the landowners property tax bills, as if these were water and electricity consumption. Collections improved from 52 percent to 72 percent.

Dela Cruz got the barangay captains actively involved in the real property tax campaign. Instead of waiting for financial assistance from the provincial government, the barangays earned because they got 25 percent of these taxes collected in their jurisdiction, as provided for in the Local Government Code.

This system is fully operational in Guiguinto and Pulilan, and is being introduced in the other municipalities. There are taxes collected in the municipalities that they have to share with the provincial government. The cities of San Jose del Monte and Malolos have linked up with the network for business tax licensing and zoning.

The National Computer Center (NCC) has offered to buy the software from the provincial government for P2 million. NCC wants to replicate the program nationwide.

"If you don't have wide revenue base, look into how you can cut down on cost. That will be the problem of all local governments. You will always be confronted with wanting to be able to deliver service and not having enough money."

The provincial government also went to court to ask the Metropolitan Waterworks and Sewerage System (MWSS) to give it a share from its earnings from the water being derived from the Angat Dam. MWSS supposedly owes Bulacan P130 million to P260 million from 1992 to 2005. A regional trial court in June ruled in favor of the provincial government. The water company has appealed the decision.

—***Tonette T. Orejas***

Aquino International Airport in Metro Manila. Also, a busy Freeport in Subic has exposed the region to foreign investors, who have so far boosted employment and plowed in money to the local economy.

These ports belong to two large special economic zones that make Central Luzon unique. They're proof that the region has what it takes to run businesses without Manila's tight control. Subic and Clark have been included in the Arroyo administration's 10-point agenda. Arroyo has talked about having a port each in the east and west sides of the region.

In Clark, businesses have rebounded, with total export volume reaching US$900 million as of 2004. At least 6,000 new jobs were created from May last year to May 2005, bringing to a total of 34,652 the women-dominated workforce there.

Thus, to Remegio Mercado, the economic planning chief of the region since 1994, Central Luzon has "all the ingredients of a successful federal state."

How local governments are benefiting from the special economic zones must be reviewed under a federal set-up, according to Mayor Marino Morales of Mabalacat, Pampanga. By law, the following towns are to share 1 percent of the zones' gross income and another 1 percent for their development fund: Mabalacat, Porac, Angeles City in Pampanga; Bamban and Capas in Tarlac; Dinalupihan, Hermosa, and Morong in Bataan; Olongapo City and Subic in Zambales.

Morales says that the towns in Pampanga alone have standing claims of more than P100 million from the zones. A former official of the Bases Conversion Development Authority told NEWSBREAK that these shares were remitted back to the national government and did not go directly to the local government units.

MONEY FROM SAND

The region also stands to benefit more—under a federal system—from the quarry industry. In 1999, the state-owned Natural Resources Development Corp. (NRDC) charged a tax of P300 per truckload of sand quarried from Mt. Pinatubo. It collected a total of P145.2 million from Pampanga alone.

When the tax collection was left under the sole control of the provincial government, however, the revenues dipped to P10.5 million in 2004. The alleged irregularities in the capitol's collection system are the subject of two congressional hearings and an effort by the NRDC to reclaim the management of the quarry industry.

Still, local officials say that a federal state would be able to manage tax collection better, to benefit the local government units where the quarry resources are situated.

Central Luzon's other asset is its being a major contributor of electric power to the Luzon Grid. Power is produced from two hydroelectric plants in Angat, Bulacan, and Pantabangan, Nueva Ecija. There are other power plants in Bataan, Zambales, and Subic.

In terms of the administrative challenges faced by a federal state, Central Luzon is manageable. All its seven provinces and 12 cities are accessible by land. It is in those 12 cities where 60.3 percent of the region's population (8.2 million as of 2000) are concentrated.

San Fernando, where almost all 30 regional agencies and the Philippine National Police have established offices, is at the center of the region. The region has a large pool of labor, counting 5.4 million as of 2003. Of the 3.09 million workers employed that year, 1.6 million were in the service sector.

The region's natural resources are of a balanced mix. Its forested area covers 550,921 hectares, mostly in Aurora and Nueva Ecija and Zambales. The long coastlines on the eastern front (Aurora) and western front (Bataan and Zambales) are rich in marine fishing grounds, but are threatened by poaching and pollution from the aquaculture industry. Mineral resources like chromite, gold, and marble abound in Zambales and Bulacan.

Even if employment in the agricultural sector shrank, the region's gross value added for farming and fishery still accounted for 10 percent of the national production from 1995 to 1999 or within the post-disaster years. The major crops—rice, corn, mango, and banana—showed positive growth, especially corn, from 1995 to 2000.

MASTER PLAN

Because of this huge potential, a blueprint for the region's economic development, the Central Luzon Development Program (CLDP) was crafted in 1995 by the Board of Investments of the Department

of Trade and Industry (DTI). Interestingly, Arroyo claims that she was one of those who worked on it when she was DTI undersecretary.

CLDP was the result of 140 consultations, technical studies by Filipino and Japanese consultants, and partnering with local governments and nongovernment organizations. The CLDP is to be implemented by the Regional Development Council (RDC), which is now chaired by Mercado and Bulacan Gov. Josefina dela Cruz.

The CLDP aims to attain a "balanced development" for the region in a 15-year period. But Mercado laments that because of the interference from the national government, the CLDP's priorities get sidetracked. The RDC finds itself often asserting regional priorities over what the national government prefers at certain points. Since the CLPD was not given resources that could make it move, the plan was implemented only through moral suasion. In Mercado's view, the assertion of regional and local priorities and getting these done must be the principal aim of any federal state.

COURTESY OF THE CLARK DEV'T. CORP.

The plan adopted three regional development objectives: to contribute to the establishment of industrial and trade niches of the Philippines within the globalizing economies based on traditional value and available resources; to empower people through the eradication of widespread poverty, provision for basic human needs, and assurance of access to a wide range of opportunities; and to protect and restore the environment of sufficient diversity to support various socio-economic activities on a sustainable basis.

To achieve these, it subscribes to a two-pronged strategy that, on the one hand, promotes people- or community-based development for socially and environmentally sound and sustainable development and, on the other hand, drives internationalization for integrated and competitive local and regional socio economies.

The program consists of not less than 150 regional, local, and special projects, which are being implemented until 2010. The public investment requirements of CLDP in three phases amount to US$6.9 billion, mostly from foreign loans and grants.

It envisions Central Luzon as a world leader in people- or community-based development activities, world center for environmental education, a showcase of recycle-oriented rural activities and biodiversity-preserving organic agriculture, and the industrial heartland of the Philippines, among others.

But leftist groups have criticized the CLDP for pushing the region into the globalization stage. That, in their view, opens the region to more foreign capital by offering greater access to cheap labor and raw materials. The liberalized investment and incentive climates in Clark and Subic prove this.

NOT ADEQUATE

Ten years on, the correctness and significance of the CLDP as an economic map for a federal state cannot be fully ascertained. There has been no review of how the CLDP and its projects have actually fared in terms of improving the region's economy and the life of its people.

Rene Romero, private sector representative in the RDC and the former vice chair of the North Luzon Chamber of Commerce and Industry, says that insofar as Clark and Subic were concerned, these two industrial centers that are central to the CLDP and now hubs to less than 600 mostly foreign-owned companies have "not adequately provided economic benefits yet."

The rehabilitation of the North Luzon Expressway, one of the 30 major regional projects, had led to toll rates that are 700 percent higher than when it was operated by government until February 2005.

Mercado believes that the CLDP remains basically a sound program but says the federal state will have to review the CLDP or formulate another program that "must capture the uniqueness, potentials, and challenges" of Central Luzon.

For one, the program did not yet include the province of Aurora, whose administration was transferred from Southern Tagalog to Central Luzon in 2002. Aurora needs attention because it is one of the 20 poorest provinces in the country. Like the rest of Central Luzon, it also has its potentials, mainly forests that can supply water to Metro Manila and Central Luzon and the fact that it can be a potential gateway to the Pacific Ocean.

In the meantime, the RDC has gotten around the national government-regional dynamics by getting access this year to the "centrally-managed lump sum" of national agencies and channeling these to local priorities. According to him, these funds were belatedly discovered and previously used at the discretion of national agencies.

TIGHTER COORDINATION

In a federal state, RDC private sector representative Nina Saplala is eager to see a single coordinative body to oversee the development of Central Luzon.

As things stand now, various agencies have overlapping functions as far as developing Central Luzon is concerned. There are the RDC, the Presidential Commission for Central Luzon Growth Corridor, and the Presidential Adviser for North Luzon. For Clark and Subic, there's the office of former Ayala executive Francisco Licuanan II, who has been appointed presidential adviser for the Subic-Clark Growth Corridor. At the same time, regional agencies take command from their national offices that follow the national agenda set by the President.

At times, too, the private sector group within the RDC finds itself at odds with the Clark Development Corp. and the Subic Bay Metropolitan Authority over policy issues. For example: Do these bodies have to get the go-signal of the Department of Environment and Natural Resources and the RDC for projects with ecological impact when each one already has its own environmental regulatory units?

This is why Bulacan's Governor Dela Cruz favors federalism because, to her, this is a move toward more efficiency in local governance. To sustain a federal state, the accountabilities and responsibilities of administrative units will have to be more defined in the areas of healthcare, environmental management, tourism, industrial development, among others.

Indeed, the call for more independence resonates with many people in Central Luzon. N

LYN RILLON

METRO MANILA

SHARED PROSPERITY

Take away its power base and Metro Manila will rely more on the other states to help its people live decently

BY **CARMEL V. ABAO** *and* **MAITET DIOKNO–PASCUAL**

FEW WILL ARGUE THAT POLITICAL, ECONOMIC, AND FINANCE power in the country tends to be concentrated in Metro Manila. The metropolis alone accounts for nearly a third of the country's gross domestic product (GDP). According to the National Statistical Coordination Board, "imperial" Manila is also responsible for one-third of the national industrial output. In 2002, it contributed 40 percent to the total manufacturing production.

Services have largely taken over Metro Manila's economy, constituting slightly over 60 percent of the National Capital Region's (NCR) gross domestic output, with industries making up the rest at nearly 40 percent.

Manufacturing continues to contribute significantly to Metro Manila's local output. In the service sector, transport, communication, and storage services, together with wholesale and retail trade and private services, are increasingly contributing a greater share in the region's GDP.

Metro Manila is the single biggest market for products of many regions in Luzon, the Visayas, and Mindanao. It is also a main supplier of commodities to practically all the regions, as far north as the Cordilleras and as far south as the Autonomous Region in Muslim Mindanao (ARMM), according to trade and industry data of the National Statistics Office (NSO).

Official data for 2000 place the average family income in Metro Manila at nearly four times that of the ARMM, the country's poorest region. Furthermore, families living below the poverty line in Metro Manila constitute only 3.7 percent of all Filipino families living in poverty. This translates to 1.3 million persons or 4.1 percent of all individuals living in poverty. In contrast, 21 percent of all Filipinos who are not considered poor (about 10 million persons) reside in Metro Manila—confirming a long-running suspicion that the rich, more than the poor, tend to congregate in the nation's capital.

Data of the Bangko Sentral ng Pilipinas on the regional distribution of banks, bank loans, and deposits depict a similar trend. The NCR has 155 banking offices per city and municipality, in stark contrast to the national average of only five. Bank deposits in Metro Manila account for 70 percent of all bank deposits nationwide. When it comes to lending, banks channel a higher proportion, 85 percent, to borrowers in Metro Manila. In fact, in the boom years 1995 to 1997, just before the Asian currency crisis hit the nation, loans to the NCR exceeded deposits. In other words, savings deposited with banks outside Metro Manila tend to flow to Metro Manila borrowers, particularly when the economy is not in crisis.

Metro Manila's local government units (LGUs) are among the few LGUs that rely least on the Internal Revenue Allotment (IRA). In Makati, the IRA accounts for only 7.1 percent of the city's total budget. The cities of Pasig, Parañaque, Manila, Mandaluyong, Pasay, Quezon, and Muntinlupa rely on IRA for less than a fourth of their total budgets. Only two LGUs in Metro Manila—Malabon and Pateros—depend on IRA for more than half their operational expenses.

Young men and women flock to Manila in the hope of finding work. But of late, Metro Manila has been losing out in the area of job creation to Southern Tagalog, specifically the Calabarzon areas, to where the factories have been relocating. As official labor force data show, net job creation in Metro Manila has lagged behind that of Southern Tagalog, Mindanao (particularly Soccsksargen and Northern Mindanao), and Central Luzon. The employment rate in Metro Manila is below the national average employment rate. Similarly, its unemployment rate, an average of 18 percent in 2004, is the highest of all regions and above the national average unemployment rate of 11 percent.

PRESSURES AND VULNERABILITIES

Its obvious power base notwithstanding, Metro Manila is not without vulnerabilities. It does not grow its own food and gets its water supply from neighboring provinces. With more than two million families and almost 10 million residents, it has one of the largest populations in the country, second only to Southern Tagalog, which has a population of 11 million.

Metro Manila's population has increased by over four million in two decades. All of its 14 cities and three municipalities are highly urbanized and its level of population growth and urbanization poses welfare, environmental, health, and governance pressures that are likely to be magnified if Manila goes federal.

Two to four percent of Manila's residents are considered "squatters." According to the National Housing Authority, out of the 1,255,382 informal settlers nationwide, 716,165 or roughly 57 percent live in the NCR. In addition, more than 2,000 are "homeless." With more than 23,000 "new households" in the past year, the annual housing backlog in Manila has reached 246,631, the largest in the country. Without any urban development plan, much less an urban land use plan, Metro Manila cannot keep expanding without widening the cracks in its walls.

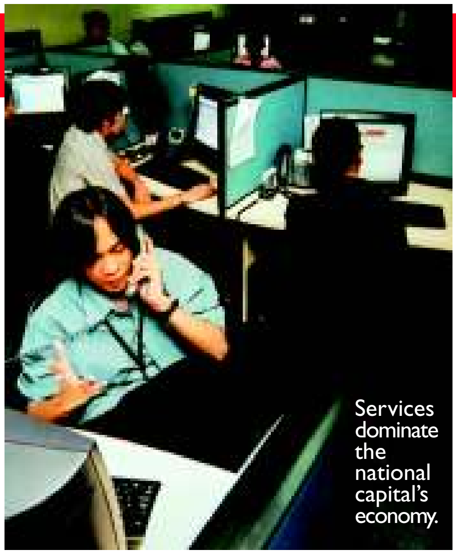
While the poor of Manila are not the "poorest of the poor"—they earn twice as much as the average poor Filipino family—health, sanitation, garbage, and air pollution problems are most severe in communities where the poor abound. Metro Manila produces around 2.5 million tons of garbage per year, a quarter of the total waste produced in the entire country; only 12 percent of this is recycled. Forty percent of Manila's garbage used to be received by the Carmona and San Mateo landfills, but since 2000, these two sites have been closed due to the demand of local residents and because they have become saturated.

Data of the Land Transportation Authority, meanwhile, reveal that in 2005, the number of registered vehicles reached 4,760,593 nationwide, representing a 10-percent increase from

the previous year. More than 1.5 million of these vehicles are in Metro Manila. Although the latter have generated more than P3 billion in revenues, the proliferation of vehicles in Metro Manila has also caused unprecedented levels of air pollution. A study commissioned by the Asian Development Bank estimates that from 70 percent to 80 percent of air pollution in Metro Manila is caused by motor vehicle emissions, particularly of diesel-fueled buses and jeepneys, as well as motorized tricycles.

A recent survey by Synovate, a Hongkong-based global market research company, shows that "98 percent of residents in Manila are affected by air pollution" and "71 percent believe that the air quality has worsened over the past year." Eighty-two percent of the survey respondents indicated that they were "experiencing irritation to their eyes, nose, and throat," 57 percent were "having more difficulties in breathing," and 27 percent "attributed skin problems to the pollution."

A study on air pollution in Metro Manila published this year by the World Health Organization estimates the average concentration of substances floating in the air at about 150 micrograms per cubic meter between 1987 and 2001. This level of air pollution is very high by the country's own standards and by international standards. Emissions of fine particulate matters in Metro Manila, while not adequately and consistently monitored, have been found to be excessive, representing a serious threat to the health of Metro Manila residents.


Services dominate the national capital's economy.
LYN RILLON

A SENSE OF NATIONHOOD

Power clearly has its price, and it is being felt by Metro Manila's ordinary citizens, who are increasingly finding it difficult to breathe clean air and drink safe, affordable water—in short, live decently.

If federalism were to help the country develop as a nation, it should contribute to the transformation of Metro Manila from a metropolis where power, wealth, and income are concentrated, into a region whose development is based on mutually empowering relationships with the rest of the country.

Metro Manila will need to develop healthy relationships with the other regions for food, water, and other products. It would be to their mutual benefit to do so because Metro Manila relies less on itself and more on the rest of the country as a market for its products and services. Metro Manila needs to be convinced that it needs the cooperation and mutual support from its federal co-states, just as much as the co-federal states need it.

Metro Manila governments will have to manage their waste, pollution, and environment more effectively rather than merely treating their neighbors as a convenient dumping ground. Improved governance is not enough for Metro Manila to address the rising pressures it faces from rapid urbanization. Metro Manila must help the rest of the country develop along with it.

Rather than compete with their neighbors, Metro Manila citizens and governments must look for win-win solutions to their own problems without creating problems for the rest of the country. Federalism should get Metro Manila to set its house in order, but it should not erode—on the contrary, it should develop—a sense of nationhood in the people of Metro Manila. N

SOUTHERN TAGALOG

IT'S GOT EVERYTHING

Metro Manila's closest neighbor has power, fuel, water, and food sources—and its leaders are used to working together


Twenty-five ecozones are operating in Southern Luzon.

BY **ARIES RUFO**

SHOULD THE PHILIPPINES TURN FEDERAL, SOUTHERN TAGALOG IS perhaps the only state that can withstand the initial economic effects that come with a change in the form of government. Second only to the National Capital Region (NCR) in terms of economic growth and activity, the region—divided into Calabarzon and Mimaropa in recent years—has been enjoying a boom cycle that is expected to only get better.

Together with the NCR, most of the provinces comprising Calabarzon and Mimaropa—Cavite, Laguna, Batangas, Rizal, Quezon, Mindoro and Marinduque—form part of the Metropolitan Manila Growth Network. (Under the federal proposal, Romblon will be merged with Bicol. Palawan has already been declared part of Western Visayas.) The network is the country's biggest grouping of industrial financial and commercial center for domestic and international economic activity.

At least the Calabarzon region in Southern Tagalog has become synonymous with rapid industrialization and economic progress. The passage of Ecozone Act of 1995 promoting economic and industrial zones in the country stirred up the region's development into a leading industrial area.

The figures are impressive. On a macro-economic level, the region's gross regional domestic product (representing its output of goods and services) grew from P113.5 billion in 1993 to P162.8 billion in 2002. Its growth rate stood at 8.1 percent for 2002, way above the national growth rate that year at 4.3 percent.

The region's workforce increased from 2.6 million in 1993 to 3.9 million in 2002—the labor force growing by 4.1 percent annually against the national level of 3.8 percent.

The growth of ecozones translated to P47 billion worth of investments in 1997. This grew to a whopping 73 percent in 2002.

ECONOMIC RIPPLE EFFECT

There is no denying that because of its proximity to Metro Manila, Southern Tagalog has

benefited from the spill-over of economic activity, says Batangas Rep. Hermilando Mandanas.

This advantage, Mandanas adds, became more pronounced as the provinces worked hand in hand in developing the regional economy. "There is a symbiotic relationship among the provinces in Southern Tagalog."

Thus, when the economy expanded, Southern Tagalog was more than ready to absorb the accelerated economic demand, particularly in the manufacturing industry where the region gets its 20-percent contribution to the national output.

The manufacturing sector boomed when the region opened itself to industrial estates in 1996. In less than a decade, it has cornered half of the total 77 proclaimed ecozones in the country. At present, 25 ecozones are operating in the region.

With manufacturing igniting the economic engine, related industries—like construction, electricity, and water sectors—enjoyed a ripple effect. These sub-industries are second only to Metro Manila in terms of performance.

The steady growth of the industry also benefited the service sector. Its share in the regional output kicked up from 29.57 percent to 33.79 percent in 2002, according to data by the National Statistical Coordination Board (NSCB). This is attributed to the development of small and medium enterprises, and the expansion and modernization of support facilities like ports and road networks.

The expanding economic activity consequently led to the creation of more jobs. As of 2002, Southern Luzon's 91 percent employment rate was better than NCR's 84.40 percent.

The NSCB noted that the growth of ecozones has spared the region from a national decline in employment resulting from persistent economic and political problems. From 1998 to 2000, it absorbed 165,000 workers with an average growth rate of 11 percent.

One economic indicator that Southern Tagalog can be proud of is foreign trade. Before the operations of ecozones, the regions only contributed 2 percent in the national exports. Now, almost half of the country's exports (49 percent) comes from Southern Tagalog.

NSCB data showed that export revenues from the region's ecozones reached US$18 billion in 2002, with the Laguna Technopark as the top ecozone exporter.

SPREAD OF WEALTH

The symbiotic relationship among the Southern Tagalog provinces (which will be crucial if a federal state is to survive) is even more defined as wealth generated by economic activity appeared to have uniformly spread in the region, with the exception of Quezon province.

Income-wise, the number of first-class municipalities (those generating income P35 million above) rose from 24 in 1997 to 34 in 2001. More significant is the fact that the number of first class municipalities is almost equally distributed among the provinces in the region. Right now, the region has only one single sixth class municipality (generating below P7 million in income), Jomalig, which is in Quezon.

Five of the region's cities are first class by income standards, namely Antipolo, Batangas, Lipa, Lucena, and San Pablo.

Excluding Marinduque and Mindoro, Southern Tagalog provinces are among the top 10 income earners out of the 79 provinces in the country, with Laguna placing second nationwide.

A car manufacturing plant in Laguna

The spread of wealth consequently has liberated some local government units from over-dependency to their Internal Revenue Allotment (IRA), with 23 cities and municipalities registering less than 50-percent IRA dependency, according to 2003 figures from the Bureau of Local Government Finance.

TAGAYTAY SHOWS THE WAY

WHEN TAGAYTAY MAYOR Francis Tolentino first occupied city hall in 1995, the local treasury was in bad shape. Tax collection was low, tax payment compliance was even worse, and fiscal management was messed up.

"We had a bloated bureaucracy. There were many excess employees. We were nearly bankrupt," Tolentino told NEWSBREAK.

To fund its social services, the city relied heavily on its Internal Revenue Allotment (IRA) from the national government. "We were around 80 percent IRA-dependent. There was little local income."

The mayor resolved that for things to improve, "We had to maximize revenue collection and utilize other income sources." Tolentino was able to convince the city council to pass local taxes, with least pain to the public.

Among the tax measures were the imposition of a percentage tax on the cost of structures being built in Tagaytay. It was a progressive tax, since it affected only the rich homeowners or those who have made Tagaytay a second home.

To improve the collection of real estate tax, properties of delinquent taxpayers were immediately auctioned. "We refused to compromise. If you failed to pay, we auction your property."

Tolentino also established connections with the taxpayers "to make them realize they are stakeholders." In fact, Tagaytay was the first in the country to provide a coffee lounge for taxpayers at City Hall.

To stir up the lethargic business activity, Tolentino decided that the local government should take the lead role. "I believed that the LGU should be a catalyst for development in bad times. The private sector would follow."

Since tourism was traditionally the city's main source of income, local government invested in the tourism sector, putting up four hotels and one international convention center. "The hotels generate income 24 hours a day. That means that even during weekends, we generate income."

The hotel investments also restructured the local bureaucracy. Excess City Hall employees were retrained and redetailed for such work, making them more productive.

To protect its image as a prime tourist destination, Tagaytay banned factories from being set up within its periphery.

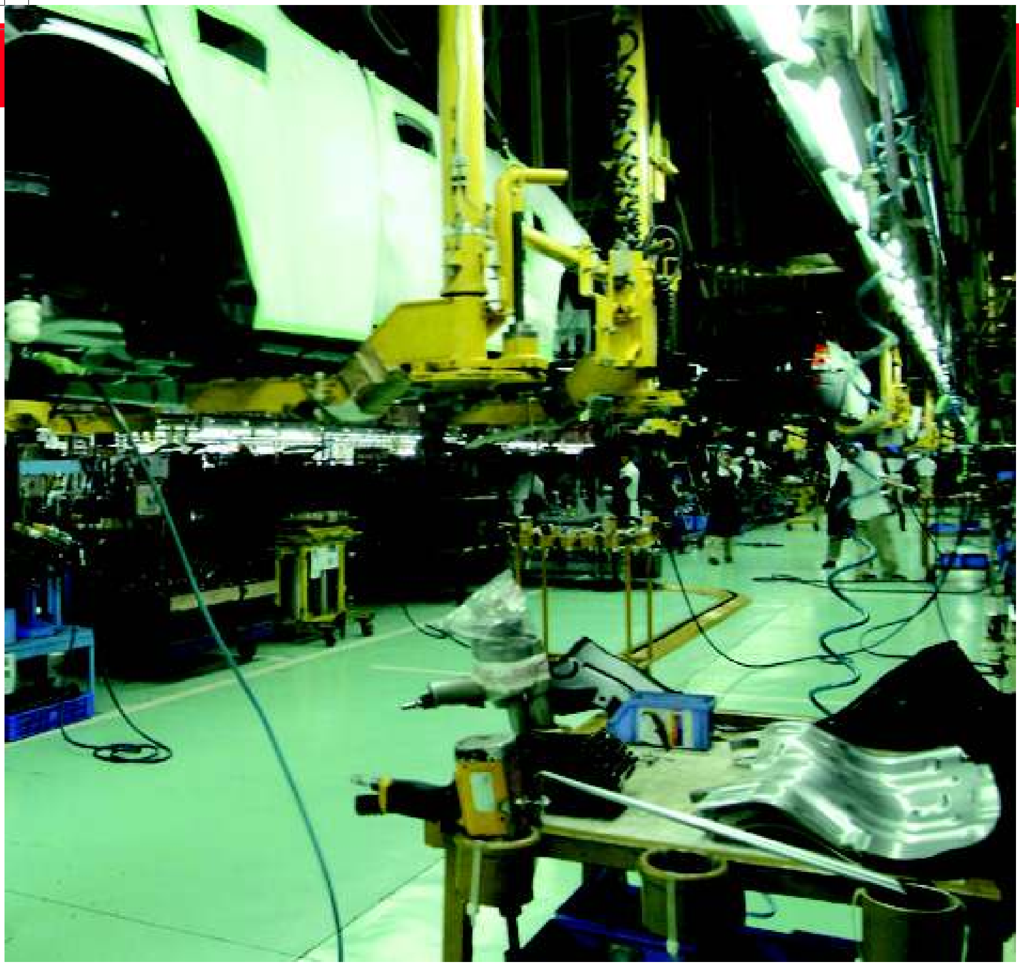
"Tagaytay is primarily a rest and recreational area and it wouldn't fit the image if you see factories sprouting here."

The potential loss of income from manufacturing was compensated for by other tourism-friendly private businesses, like restaurants and hotels that have since sprung up.

The result was phenomenal. Tagaytay's reforms reaped two Galing Pook awards and is being copied by other LGUs. Recently, local officials from Lanao del Sur went to Tagaytay to study its tax computerization program.

Before Tolentino left office in 2004, Tagaytay's financial condition was among the best in Southern Tagalog. Finance department data show that Tagaytay is only 23.33 percent dependent on its IRA, outdoing the cities of Calamba, Batangas, and Lipa in the region.

But what makes Tolentino even prouder is the fact that he never solicited assistance from politicians for their pork barrel, since congressmen in his district always came from another political party. "*May halong yabang na rin.* (It's a matter of pride.) I knew we could make it." —***Aries Rufo***



The best performing city is Tagaytay, with an IRA dependency of only 23 percent. The town of Cabuyao in Laguna is even more impressive, as it has almost freed itself from IRA reliance with only 12 percent dependency.

SELF SUSTAINING

With its remarkable economic indicators, there is no doubt that Southern Tagalog can stand on its own in a decentralized form of government. "We are ready for autonomy, federalism, or whatever you call it," Mandanas says.

"What's more, we can be self-sustainable. We have our own power, fuel, water and food sources. The best thing is, we all go together." Mandanas served a full nine-year term as governor of Batangas and was a former chair of the Regional Development Council.

On top of its industrial output, the agriculture and fishery sectors are enjoying a boom cycle, generating a gross value of P37 billion in 2002, making the region the biggest contributor to the national income in these two sectors. At present, the Calabarzon region is considered one of the country's main source of livestock and poultry products.

The region is gifted with natural, historical, cultural and man-made attractions, so tourism (for domestic and the foreign markets) is also a major source of income. Each of the provinces has its main tourist attractions—the cool weather and retreat houses of Tagaytay in Cavite; the hotsprings, lakes, and waterfalls of Laguna; Mt. Banahaw in Quezon; and the tribal festivals of Mindoro and Marinduque, to name a few.

The region's local tourism benefits from the spill-over from Metro Manila, outpacing all the other regions in tourist arrivals. From 2000 to 2002, Calabarzon registered four million local and foreign tourists, with Region 7 a far second. Tourism department records show that five out of the 14 most visited places in the country are in Calabarzon: Los Baños, Pagsanjan, Ternate, Tagaytay, and Batangas.

Calabarzon's economic sustainability has become more secure with the completion of major infrastructure projects connecting the region to other provinces. These include the South Luzon Expressway, the Manila-Batangas Road connecting Calamba, Lipa City and Batangas City; the Southern Tagalog Access Road; the Manila South Road, which connects the region to Bicol; and the Manila East Road linking Laguna and Quezon.

On top of these infrastructure projects, Mandanas says, trade movements with other regions can easily be accessed through the existing ports that Calabarzon manages. He cites the Batangas Port in Batangas City, which has consistently posted the highest record in shipping, passenger, and cargo movements, second only to Manila's North Harbor.

Southern Tagalog has been the prime location for power plants built in the early '90s. "Laguna has hydro and geothermal plants; Batangas, natural gas plants; Quezon and Batangas have oil-fed power plants," he adds. Data from the National Transmission Commission showed that 50 percent of generated power in the region is in Batangas, while 22 percent is in Laguna, 18 percent in Quezon, 9 percent in Rizal, and 1 percent in Cavite.

HINDRANCES

There are still some glitches that a Southern Tagalog state will have to confront. One is the resurgence of poverty. Although the proportion of families living below the poverty threshold was only 16 percent in 2000, which is half the national level, the number of poor rose from 274,778 in 1997 to 287,473 in 2000 in Calabarzon alone. Mindoro and Marinduque have a combined total of 107,000 poor people.

The figures also show that the spread of wealth appears to have not fully trickled down to the outlying provinces of Quezon, Mindoro, and Marinduque, which have registered the highest incidence of poverty.

Based on family income, there is also an uneven growth within the region, with Rizal, Cavite, and Laguna registering figures higher than the regional average of P115,000.

The region's economy has not strengthened the link between agriculture and industry, which could explain why agriculture-based provinces Quezon, Mindoro and Marinduque have not fully benefited from the economy's upsurge. It has been observed that most locators in Calabarzon's ecozones are industries that utilize raw materials that are not agriculture-based.

The region is also facing a possible shortage of power supply by 2007, as demand could exceed its current generated capacity. The region is now faced with the question of whether or not to host additional power plants without causing further damage to the environment.

PROS AND CONS

Marinduque Rep. Edmund Reyes says Southern Luzon's economic blueprint needs little improvement "since the present regional model is already working. We can get a clue from the present functioning regional model."

With governance more focused under a federalized state, Reyes says poorer provinces, like Marinduque, have a better chance of development since its more prosperous sister provinces would be there to assist.

"Marinduque won't have to compete for attention with 78 provinces. [Under a federal state] there is a bigger chance that development would spread more rapidly in the countryside," he explains.

Reyes concedes that Batangas could serve as the seat of power because of its strategic location. But the solon is not entirely sold on the idea that resorting to federalism would be best for the region. He argues that any form of government would work and benefit the entire country "if we can only get our act together."

Philippine Chamber of Commerce and Industry-Cavite public relations officer Hector Loyola says that "while federalism would enable Southern Tagalog to fully benefit from its maximum economic output, any system would actually work. More resources means it is more prone to abuse. It is the value of political system that matters." N

BICOL

NEIGHBOR'S FEEDER

The region supplies adjoining regions with electricity. Its untapped agricultural resources can feed them as well.

The Tiwi Geothermal Power Plant in Albay

RHAYDZ BARCIA

BY **GEMMA B. BAGAYAUA** *in Camarines Sur*

A RAPIDLY GROWING AND DENSELY POPULATED REGION, BICOL HAS ironically few big industries to speak of. Located at the southern tip of the Luzon island group, the region has the third highest incidence of poverty nationwide—close to 2.5 million individuals here are living below the annual poverty threshold of P11,524. Two provinces are among the country's 10 poorest: Camarines Norte, the 10th poorest, and Masbate, the second poorest.

Some of the reasons for this underdevelopment are the uncontrolled population growth, lack of necessary infrastructure and support services for agriculture, and the region's inability to attract investments from industry. The manufacturing sector contributes little to the local economy, and only one of every 10 Bicolanos is employed by industry.

Half of the population still rely on agriculture to earn their daily bread. But while a little over half of the total land area (50.76 percent) is devoted to agricultural use, the agriculture, fishery, and forestry sectors altogether contribute only roughly a third (32.36 percent) of the region's gross domestic product.

Poor farm productivity is usually attributed to the cyclones that destroy crops and properties that visit the region on a yearly basis.

However, agriculture—and food production in general—is what holds economic promise for the proposed federal state of Bicol. (In addition to the provinces of the current administrative region of Bicol—Albay, Sorsogon, Masbate, Catanduanes, Camarines Sur, and Camarines Norte—the envisioned Bicol state will include the province of Romblon.)

Metro Naga Chamber of Commerce and Industry president Nicolas Beda Priela says Bicol can be the food-producing region in Luzon. Priela, whose company is engaged in logistics services, says that among the regions that are near Metro Manila, Bicol has the highest potential for producing huge volumes of agricultural products. It takes eight to 10 hours to travel between Bicol and Manila by private vehicle.

Within Luzon, Priela notes, the major sources of vegetables at present are Cagayan Valley and the Cordilleras, but the route of typhoons has of late shifted from Bicol to these areas. Central Luzon is not a competition anymore, because lahar from Mount Pinatubo has inundated the region. Southern Luzon-A, on the other hand, is fast getting industrialized. Mindanao—the other local source of vegetables, fruits, marine products, and livestock—is much farther away from Manila.

At present, Bicol produces major food items, like rice, corn, livestock, poultry, and marine products. The region has been declared free of foot and mouth disease, making it possible for local producers to market livestock and poultry to Metro Manila as well as to other countries.

MAJOR EGG PRODUCER

Bicol has a growing poultry raising and egg production industry. A major egg producer already supplies eggs to the Samar provinces, three regions away, in the Visayas islands. Marketing Bicol products to the Visayas is now possible because of the nautical highways that carry cargo trucks bringing farm produce to the different islands.

Apart from rice and corn, Bicol's major agricultural products at present are coconut, abaca, pineapple, cassava, and pili nuts. One-fourth of the national abaca production comes from Bicol. Nationwide, the region ranks third in pineapple production, and second in cassava production. Among its major exports are coconut products, like coconut oil and copra, and products made from abaca fibers.

The region also has vast mineral resources. It is rich in non-metallic resources, including limestone (used as construction materials), marble, shale or siltstones (used for pottery, brick making and other earthenware), magnetite sand, perlite (used in horticulture and hydroponics), and clay. It also has rich deposits of metallic minerals that include gold, silver, copper, and iron. A number of companies have begun commercial mining operations within the region. More are in the exploration stage.

The regional economy is increasingly services-driven with the sector contributing around 46 percent of Gross Regional Domestic Product. Those employed by the services sector increased from 27 percent of the labor force in 1985 to 46 percent in 2005.

A number of companies engaged in data conversion, medical transcription, web design, digital animation, and maintenance services have located themselves in the cities of Legazpi (in Albay province) and Naga (in Camarines Sur) because of the localities' highly educated workforce, advances in telecommunications infrastructure, and lower costs of doing business.

ENERGY SOURCES

Bernadette Gumba, chairperson of Ateneo de Naga University's economics and accountancy department, says the current problem is that most local products are shipped out of the region as raw materials with little value added. It takes time for investments to trickle down to the region also because investors tend to pass through Manila, and conclude their deals there, before getting the chance to explore opportunities in the countryside.

Proponents of federalism in the region believe that Bicol can give Metro Manila tough competition for investments if it can dangle lower electricity rates because it has indig-

enous power sources. The current centralized system of government has prevented the region from deciding how to utilize its energy sources as it deems best.

Bicol is a net producer of electricity with a total generating capacity of 452.62 MW, in excess of the regional demand of 140.63 MW. The bulk of this is produced by two geothermal plants—the Tiwi Geothermal power plant in Albay, and the Bac-Man (Bacon-Manito) powerplant in Sorsogon. Despite this, people here have to shell out more pesos per kilowatt hour than those benefiting from it in Metro Manila. Only the municipalities where these plants are located are enjoying the benefits of these local power sources.

The National Power Corp. (NAPOCOR) sells power at a uniform rate for the entire Philippines, but the electricity it generates from Bicol's geothermal plants is sold at a higher price to rural communities in Bicol. According to Marlene Rodriguez, regional director of the National Economic Development Authority (NEDA), this is because the great distance between houses in the rural areas in Bicol requires the NAPOCOR to build more power lines to reach the end consumer. Inefficiencies and corruption in the local electric cooperatives also contribute to this condition.

An autonomous Bicol state can prioritize the energy requirements of its residents, and can sell its excess energy supplies to other regions, says Gumba.

Meanwhile, Bicol has to attend to the other factors that slow its economic progress, like inadequate infrastructure. Only half (118,541 hectares) of potentially irrigable area (239,660 hectares) is actually irrigated. A third (854 kilometers) of national roads and half (8,572.79 kilometers) of local roads remain unpaved. The Tabacco port in Albay is the only existing international port that can service local exports as well as imports of raw materials from other countries.

Priela says the region also needs to ensure complementation of resources. "Tiwi, for instance, may have power but it also needs other resources that the other areas have." Richer provinces, he says, should help alleviate poverty in the less developed provinces.

DEPENDENT ON IRA

At present, Bicol is overly dependent on its internal revenue allotment (IRA). With its local government units relying on the IRA for 92.9 percent of their budgets, Bicol is the region third most dependent on the national government.

Bicol, however, is not lacking in efforts to consolidate development strategies towards promoting regional growth. A regional development council (RDC) coordinates and consolidates planning among the different provinces.

The problem with this setup, proponents of federalism note, is that the RDC does not have its own funds to finance proposed projects. After plans are drafted, local leaders have to lobby with the central government to have these projects funded.

Funding is remote if projects proposed are not aligned with national goals. It took about a decade, for instance, for national government to finally fund the development of the Pantao port in Libon, Albay. This is because the port was not part of national government priorities, NEDA's Marlene Rodriguez says.

"If I want support for the cutflower industry here in Naga City, it would not be possible to get this because the cutflower industry in Naga is not among the priorities of the agriculture department," Dave Bercasio, a member of the Naga City People's Council, told NEWSBREAK.

Critics also note that the RDC agenda is often shaped by whoever is chairman. Because it is an appointive post, leadership of the RDC is often bagged by whoever is close to Malacañang. During the Ramos presidency for instance, Robredo, a Lakas stalwart, chaired the council. When Estrada became president, Camarines Sur governor Luis Villafuerte—who was closely identified with Estrada's running mate Edgardo Angara—took over. Leadership of the council went back to Robredo after EDSA 2. But after the mayor supported fellow Bicolano Raul Roco in the 2004 elections, he was edged out by Luis Raymond Villafuerte, who took over his father's former post.

LEADERS

There are other local development bodies. The Metro Naga Development Council seeks to extend development from the city to neighboring towns. This used to work because the mayors of the towns surrounding Naga City were aligned with Naga City Mayor Jesse Robredo. When new mayors got elected in some of the Metro Naga towns, participation in the council's endeavors began to wane.

The lack of funds and the politicking impair the capacity of the RDC and similar formations to independently pursue regional development goals, Ateneo's Gumba says.

Businessman Priela says local political leaders exert little effort to undertake programs that would benefit the whole region—they "never get together."

Gumba says "there is no incentive for local leaders and government officials to depend on each other."

Given the current set up where the central government controls the distribution of funds, "*kanya-kanya ang paghagad sa taas* (they compete with each other in lobbying with the national leadership)," Priela says.

He says the local leaders should realize that provincial economies are difficult to market because they are too small, and therefore the promotion not just of provinces but of the entire region is necessary.

When local politicians start vying for the regional leadership of Bicol, Priela hopes that they will create not really rivalries but strong cross-province alliances that will benefit the entire region. N

NAGA, THE BRIGHT SPOT

IN A FEDERAL SETUP, WHERE THE REGIONS WILL BE GIVEN FULL POWERS TO DETERMINE HOW TO manage their affairs and resources, local government units in Bicol need not look elsewhere for a model of effective governance.

Naga City is a model in conducting its business efficiently and transparently. Local and international awards have been given its programs for increasing local revenue, involving different sectors in policy making, partnering with the private sector in government undertakings, helping the poor help themselves, improving the quality of public education, and providing socialized health care.

The city has undertaken creative measures to stretch its budget and finance its own development projects. Instead of allowing the availability or the lack of funds from the national government to determine the local government's programs, Naga City has tapped foreign funding institutions and the local business sector for build-operate-transfer arrangements.

Naga City's latest innovation is the i-Governance program, which promotes "information openness [to] open up wider avenues for dialog, thus sustaining the city's innovations." The program harnesses the power of the internet to give potential investors relevant information on doing business in the city. The same portal informs the public how vital services offered by the city may be accessed. Detailed budgets of major departments are also posted on the website. The city government is trying to set up internet stations in the barangay halls.


WWW.NAGA.GOV.PH

Public school students try out the computers donated by City Hall.

The i-Governance program also involves the publication of the city charter, which is a "guidebook on key city government services which complements the website by providing, in printed form, information on procedures, response times and accountable persons." Every household is provided a copy of the charter for free. —***Gemma B. Bagayaua***

WEST VISAYAS

THE NEXT GROWTH C

The Ilonggo provinces, recently joined by Palawan, can capture the energy, tourism

BY **MA. DIOSA LABISTE** *in Iloilo*

THERE ARE PLANS TO CONSTRUCT coal-fired power plants in the northern Iloilo towns of Barotac Viejo and Concepcion, and advocates of federalism are leading the protests against these. The two 100-megawatt power plants are aimed at stabilizing power supply in the province, but that is not what they are objecting to.

The power plants were hatched in Manila and brought to Iloilo at the behest of Malacañang and Senate President Franklin Drilon. The Ilonggos were not genuinely consulted about these even if, environment groups say, these could jeopardize the air they breathe and the sea that gives them livelihood.

The fight against the proposed power plant strengthened the resolve of Emmanuel Areño of the Iloilo Caucus of Development Non-government Organizations (Iloilo CODE-NGO) to push for federalism. Under federalism, he said, "investors will deal directly with the state and local officials, and not the functionaries in Manila." He added that such a setup would present opportunities for more consultation with communities and stricter regulatory measures for projects that have adverse impact on the environment.

There's reason for advocates invoking environmental protection as a major argument for federalism. Region 6, which President Arroyo recently merged with the province of Palawan, will depend on its natural resources to sustain it economically. Specifically, it will have to figure ways to judiciously utilize its natural sources of energy, tourist destinations, sugar and rice produce, and fish harvests. The proposal is to turn the region into the West Visayas state.

Western Visayas—comprising the provinces of Aklan, Antique, Capiz, Guimaras, Iloilo, and Negros Occidental—has lagged behind other growth centers in the country. The region is not considered poor, but its resources can hardly provide for its population of six million, like giving them jobs. Statistics show that the poverty incidence in the region is 31 percent.

Rafael Coscolluela, the presidential assistant for Western Visayas, said that federalism, although presenting no immediate relief, would make it possible for resources to be shared equitably and for growth to be more focused so that it would be able to deal with unemployment.

A former governor of Negros Occidental, Coscolluela said he saw many local government units' dependence on the national government through the Internal Revenue Allotment (IRA). "Fixation on IRA is unhealthy, we have to generate more resources," he said.

With federalism, local officials would do away with panhandling and the constant lobby to increase their IRA. Local government officials could be more creative and effective resource generators, he said.

The proposed state has rich fishing grounds.

Areño said that with federalism, not only are the powers and functions of government decentralized but also progress and development, resulting in more equitable growth. This generates high morale, commitment, and greater productivity among government officials.

The situation is not possible under the present unitary government, where power and authority are concentrated in a central or national government. In 2004, the National Capital Region got the biggest share, at P391 billion, or 45 percent of the national budget of P864 billion. The Visayas, composed of the three regions of Western, Central, and Eastern Visayas, got the tiniest slice of only P67 billion, or 8 percent of the total budget last year.

The inclusion of Palawan in the proposed state of West Visayas, in additional to the existing provinces under it at present, has not been well received by many Palaweños, who have long been attached to the Southern Luzon region.

Palawan has had close cultural, trade, and other ties with Western Visayas because of their proximity. Up to the early '50s, Palawan, along with Romblon and Masbate, was, in fact, a part of the Western Visayas in the public schools' annual sports festival, popularly known at the time as the Interscholastic meet. In the 1970s, Palawan was a land of promise, and people from remote villages of Negros Occidental and Antique migrated to Palawan in search for a better life.

There are passenger ships plying between Palawan and Iloilo today. There used to be plane flights between the two provinces, but these were grounded some years back. Language is not a problem.

Iloilo politicians concede that if Palawan joins West Visayas as a state, the old cultural and economic ties will be revived and even strengthened. Federalism advocates are just as excited. They said that with Palawan, the state of West Visayas would become the next

CORRIDOR

tourism, agriculture, and fisheries markets

EXAMINER

growth corridor in the country.

The proposed West Visayas state has the resources to fuel its growth. Of its many industries, tourism has emerged number one. The combined tourist arrivals of Iloilo, Bacolod, Boracay, and Palawan reached a million in 2003, government statistics show.

Iloilo is a major tourist destination and gateway to Western Visayas. Boracay, off the northern coast of the Panay mainland, attracts more than 300,000 tourists yearly. Bacolod sells itself as a destination for tourism-related sports and adventures as well as special-interest and leisure activities. Palawan, regarded by many as the country's last frontier, is visited for its beaches, islands, eco-tours, adventure sports, and places of interest like the world-renowned Tubbataha Reefs National Park and St. Paul Subterranean River.

Federalism advocates said the tourism potentials of the region have not been fully tapped because of the lack of infrastructure and funds. There is a need to upgrade the roads and telecommunication facilities; build transportation terminals, wharves, and related facilities; improve solid waste management; invite banks, and impose laws to protect the environment.

The region's growth potential also lies in its capacity to produce food. Rice is the top crop of Iloilo. In 2003, palay production in the province was at 729,000 metric tons, making it the fourth largest palay producer in the country. Negros Occidental was in 10th place with 350,000 metric tons.

Sugar is the major crop in Negros Occidental, where 196,000 hectares are planted to sugar cane. Cultivated since the 19th century, sugar is the key to the province's growth, although the industry declined considerably in the mid-'70s and the early '80s due to low prices of sugar in the world market. Negros supplies 40 percent of sugar in the domestic market.

Fishery holds a promise for the revenues and employment it brings to the current region and can bring to the proposed state. The proposed state has rich fishing grounds—

Rice is the top crop of Iloilo.

JARO SOCIAL ACTION CENTER

ONCE, THERE WAS FEDERAL VISAYAS

WESTERN VISAYAS WILL BE reliving history once it becomes a state in a federal republic. The book *Adriano Hernandez: A Hero in War and Peace*, written by historian Demy Sonza, contains accounts of a Federal State of the Visayas being established in 1898, with Iloilo as its capital. Sonza served as vice governor of Iloilo.

In November 1898, Col. Adriano Hernandez led Ilonggo revolutionaries in attacking Spanish troops. They subsequently formed the Provisional Revolutionary Government of the Visayas, with Roque Lopez as president, in Sta. Barbara town.

In December, the provisional government was replaced by the Council of the Federal State of the Visayas, organized after consultations with Gen. Emilio Aguinaldo in Manila, and still with Lopez as president.

The federal state officials drafted the terms of surrender of Spanish Governor General Diego de los Rios. Iloilo, at that time, was the last capital of the Spanish government in the country after the fall of Manila to the hands of the revolutionaries. The governor general left Iloilo on December 24 and designated Vicente Gay, the *alcalde* of Iloilo City, to turn over the city to the Federal State of the Visayas. The surrender was preceded by the parade of *federalistas* and *revolucionarios*. It was said to be a glorious Christmas morning in Iloilo.

The federal state appointed a junta and took over the city government of Iloilo. The federal state said there was a need to establish a republican and federal state to be composed of Luzon, Visayas, and Mindanao. It reiterated the allegiance of the Ilonggos to the central government under Aguinaldo.

The federal state leaders believed in local autonomy, especially in a system of economic decentralization. The capital of the Federal State of the Visayas would be Iloilo, which was to be developed as the center of education. As soon as peace would be restored, the federal state promised to hold elections in all towns and provinces in the Visayas.

The federal state had barely functioned when American warships arrived in Iloilo on Dec. 28, 1898, dashing hopes of self-rule without a colonial master. The federal state lasted for a year more until Aguinaldo abolished it on April 27, 1899, and established a politico-military government in Iloilo with Martin Delgado as the governor.

Sonza said it was not unlike a coup d' etat, a move that angered many "Ilonggo *federalistas*."

—***Ma. Diosa Labiste***

Visayan Sea, Sulu Sea, Tañon Strait, Guimaras Strait, Panay Gulf, and the waters surrounding Palawan.

Palawan tops a list of 10 provinces in terms of fish production; Iloilo and Negros Occidental are in seventh and 10th place, respectively. Aquaculture is also present in all the provinces in Western Visayas, especially in Capiz, which vies to become the country's seafood capital.

Energy would not be a problem with Palawan's Malampaya gas. But Panay has to search for other sources of energy, like renewable fuel or bio-fuel and other cleaner sources of power.

The proposed state has a strong service sector. It has schools, banks, and supermarkets. It could attract investors in information and communication technology and other service industries like hospitals, said Coscolluela.

With federalism, development and public works will be dispersed. The bulk of the revenues will remain within the state and only about 10 to 12 percent will go to the national coffers. This makes sense because the proposed regional states will take care of the frontline services like health, social welfare, population management, education, cultural development, tourism, price control, education and cultural development, among others, said Evelyn Jover of the Iloilo CODE-NGO network.

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A diving site in El Nido, Palawan

There is no shortage of good practices and models for good governance if federalism is adopted. Coscolluela said that many local government units in Western Visayas and Palawan have been recognized for their good governance in the areas of fiscal management, creative governance, solid waste management, and wise use of resources.

The push for federalism in Western Visayas comes from the local chapter of the Citizens Movement for Federal Philippines, which has an office in Jaro, Iloilo City. Areño and Jover are among its leaders.

Coscolluela is convinced of what federalism can do to a slow-growth area like Western Visayas. While he was a governor, he saw the need to bring the government to the people. The concentration of political power and wealth in Manila "is holding back growth in other provinces for the sake of Manila," he said. "And now we can see how they are messing things up." N

Almost all shipping companies in the country are based in Cebu.

EAST VISAYAS

THE QUEEN REIGNS

The Cebu-centered state will be so rich it can buy the resources that it lacks

BY **JASMIN SUMA-OY** *in Cebu*

FOR ALL ITS GRUMBLING ABOUT ECONOMIC AND POLITICAL MATters being decided by "imperial Manila," the province of Cebu has been the object of similar resentment from adjoining provinces in Central Visayas and, to a certain extent, the next-door region of Eastern Visayas. The jealous neighbors, however, will have to come to terms with the realities of an "imperial Cebu" if the proposed merger of Regions 7 and 8, to form the East Visayas state under a federal Philippines, is to work.

Although its natural resources are not rich enough, Cebu—the city and the province—has what it takes to shepherd the region to economic progress.

Cebu province, home to more than half of the Central Visayan population, accounts for 80 percent of the region's industrial output. Although the province depended on its share in the national government's tax collection for 67 percent of its 2003 budget, that dependency on the internal revenue allotment (IRA) was the lowest among provinces in the region. The IRA supported 85 percent of Negros Oriental's expenditures, 89 percent of Bohol's, and 96 percent of Siquijor's.

Cebu City, the provincial capital known as the Queen City of the South, operated on a budget of over P2 billion, but only 36 percent of that came from the IRA.

Five of the eight special economic zones in Central Visayas are located in Metro Cebu and produce electronics, other industrial goods, electrical equipment, and furniture for export. The factories at the Mactan Economic Zone manufacture the bulk of the first three products, but Cebu City might be able to double that output when investors start setting up on the city's 300-hectare South Reclamation Project.

Ninety percent of the country's shipping companies are based in Cebu, while the capital city hosts offices of national government agencies and branches of all the Metro Manila banks.

In other words, Cebu City and the local government units surrounding Metro Cebu have all the infrastructure that propelled Metro Manila into becoming the country's economic hub.

"If the other areas agree and acquiesce to the economic primacy of Metro Cebu and consider complementation and integration of their economies with Metro Cebu, then advances can be made," says Paul Villarete, formerly an economic development specialist with the National Economic and Development Authority in Region 7 (Central Visayas).

"Whether we like it or not, economic output is generated by urban areas. The moment a 'suburb' recognized itself as such and contributed to the whole [regional economic exchange], its own development is likewise imminent," Villarete says.

Villarete, now Cebu City's planning and development officer, doesn't see much difficulty in the recognition of Cebu's supremacy within Central Visayas. The economies of the other provinces have been linked with Cebu's for some time, he says. The difficulty—and

unacceptability—might come from the proposal of federalism advocates to annex Region 8, one of the poorest regions, to Central Visayas.

Joel Mari Yu, managing director of the Cebu Investment Promotions Center, points out that Cebu's economic growth has not been hampered by its lack of certain natural resources, like water. This is because the investors who come to Cebu, particularly those that locate in the Mactan Export Zone, are not resource-seeking investors. These are efficiency-seeking investors, who come because Cebu has the basic infrastructure and workforce to support their kind of operation.

He says Cebu may be a small island, but it does not lack the space for the kind of investment that it is looking for. Cebu's biggest development opportunities are in foreign investments, tourism, and information and communication technology (ICT), he says. "Cebu will generate the money to buy the resources that it needs, even water."

Indeed, Cebu is showing more potentials. Foreign investments, mainly responsible for the so-called "Ceboom," continue to come in. Fast ferries and bulk carriers have become important export products of the province after the West Cebu Industrial Park, which houses two shipbuilding companies, started operations in Balamban in 1993.

Mitsumi Cebu Inc., a manufacturer of electronic parts located in Danao City, is one of the largest single manufacturing enterprises in the country in terms of employment, having around 17,600 workers.

ICT-related enterprises are on the rise, too. Cebu has over 30 Internet Service Providers and has the highest density of Internet users in the country. IT-enabled services providers like call centers, medical transcriptions, and data digitizers also abound in the province.

The tourism- and agriculture-based economies of Bohol, Negros Oriental, and Siquijor have complemented Cebu's industry- and technology-based economy. Between these provinces is easy access by sea.

Home-based industries, mostly of the micro and cottage types, play a vital role in Bohol's economy.

But what is increasingly gaining influence on Bohol's economy is tourism. Famous for its Chocolate Hills and white beaches, Bohol is fast growing as a destination of both domestic and foreign tourists.

Bohol, a major food source of Central Visayas, devotes around 45 percent of its land area to agriculture. The Ubay Stock Farm is the largest livestock-breeding center in the country. The Philippine Starch Industrial Corp. and the limestone from the Philippines Sinter Corp. export their products to Taiwan.

Negros Oriental is the leading producer of sugarcane and coconut. Thus, among its major export products are copra and sugar molasses.

Tourism is also a growing industry in Negros Oriental. Dolphin and whale watching, scuba diving, mountain trekking, and world-class golf courses are among its tourist attractions.

The province has identified two sites for special economic zone development, which if proclaimed by the President would be the first special economic zones outside Cebu. One is the Bais City Ecozone in Bais City; the other is the Polo Ecocity Special Economic Zone in the adjacent city of Tanjay.

Siquijor, the smallest province in Central Visayas, has very limited arable land. As a result, it depends on neighboring provinces for food.

Fishing and tourism, which are still underdeveloped, are the potential economic drivers of Siquijor.

The varied but complementary economic activities of these provinces have made the region the third largest contributor to the country's trade output.

The economy of Central Visayas is dominated by services and industry, which account for not less than 29 percent and 52 percent of the region's Gross Regional Domestic Product (GRDP), respectively. Industrial and consumer goods are the region's top dollar earners.

Cebu City has all the comforts of Manila.

From 1990 to 2002, the regional economy grew at an annual rate of 3.9 percent. This is higher than the national economy's average annual growth rate of 3.2 percent for the same period. In absolute terms, Central Visayas' GRDP increased from P47.2 billion in 1999 to P74.9 billion in 2002, or almost double in 12 years.

The 2000 Census puts the population of Central Visayas at 5.7 million, making it the country's fifth most populous region.

The growth of the per-capita GRDP in the last 10 years is an indication that the regional economy grew faster than its population.

For Cebu's success to be replicated in the neighboring provinces, Villarete says political leaders in these provinces should recognize their people's entrepreneurial potentials. Cebu province is ahead economically because Cebuanos are entrepreneurs, he says.

The other factor, he says, is that Cebu's growth is primarily led by the private sector and not by the public sector.

This is where the difficulty of merging Regions 7 and 8 comes in. "The structure of their economies is so different that we cannot transplant what is in Cebu to Region 8," says Yu, who also served as director of the Department of Trade and Industry in Central Visayas.

He says that to try to disperse Cebu's development to the other provinces would mean "re-engineering the entire development process" because Cebu's potentials are different from those of Region 8's.

Villarete notes that in the past decade or two, the poorest regions in terms of level of poverty of its population, percentage-wise, have always been Regions 5, 8, 6 and 7, in that order.

"Knowing that, we come to a realization that Region 7 itself does not place high in the ranking of richness and is even at the lower rungs in spite of the fact that it has Metro Cebu within itself. So adding a fellow 'poor' region to make a state will surely make it less viable economically," he says.

Geographically, he sees that the difficulty of sustaining this part of the state will be aggravated by the fact that the economic activities of the Samar provinces have never been linked with those of Metro Cebu.

Villarete observes, however, that there could be a way of linking the two regions should it become necessary. He says Region 8's potential is in the fact that it has a far better road transport network than Region 7—actually an unutilized asset, he says. If sea transport is improved such that economic produce can be easily transported within the Region 8 provinces and the Port of Cebu, which is an international port, then there will be improved economic activity and better output levels.

But, he says, Eastern Visayas should first concede that, in the meantime, it would have to be one of Cebu's suburbs. N

SAMAR ISLAND

IN NEED OF POWER AND PRAYERS

Region 8 has tourism and mining potentials, but it needs a steady supply of electricity to get down to business

BY **MIO DE LA CRUZ** *in Samar*

"A*Y, NADIRI GAD AK!*" ("OH, NO. I don't like it!") Maria Samara, a 45-year-old working mother of four, opposes the idea of their Region 8 (Eastern Visayas or Samar Island) being merged with Region 7 (Central Visayas) to form the federal state of East Visayas. Most Samarnons instinctively do.

The concept, to them, can be simplified as Samar being grouped with Cebu. And this can make them "lose identity," said Rod del Valle, a provincial board member and scion of a political clan in Northern Samar.

The Citizens' Movement for a Federal Philippines proposes that the two adjacent regions be joined obviously because of their linguistic similarities. Large parts of Leyte and Samar Island speak Cebuano and Boholano, languages rooted in two provinces in Region 7.

Apparently, the movement also assumes that the more advanced economy of the Cebu-led region can help improve Samar Island's unimpressive fundamentals. Cebu has more diversified industries, while Samar Island is largely dependent on coconut and rice farming, and fishing. In Samar, many residents also find jobs by entering the government service.

Northern Samar Rep. Romualdo Vicencio says that the proposed merger could help his district's lethargic economic performance. The economy is so underdeveloped that even if the region becomes an autonomous state, he predicts that Samar will take 20 years to stand on its own.

On the other hand, if the region is merged with Central Visayas, Vicencio says Samar, could benefit from the spill-over of industrialization from Cebu.

Vicencio, whose family owns the largest pawnshop chain in Region 8, says that Samar has a very small tax base. So even if, under a federal system, the Samar island-state can collect its own taxes to build infrastructure and deliver basic services, there would be "hardly" any taxes to collect.

Those who oppose the idea say that merging the two regions won't guarantee economic improvement for Region 8. They point to Bohol, which is in Region 7 and even an immediate neighbor of Cebu, but is one of the 44 poorest provinces in the country.

"I think a better arrangement would be to keep Region 8 intact and make it a [separate] federal state," said Daniel Ariaso, a former economics professor at the Eastern Visayas State University and now an aide of Leyte Rep. Remedios Petilla. "We already have the necessary systems and structures in place to make Tacloban the state capital."

HTTP://SAMAR.LGU-PH.COM

Samar can exploit its rich limestone deposits.

The region also has a development plan that, according to the regional office of National Economic and Development Authority, sees development and creation of jobs through a "growth-oriented approach that is focused on the competitiveness of local industries and agricultural enterprises."

But before any of the local industries can flourish and the agricultural enterprises are undertaken, Samar Island has to solve its serious power shortage problem. Ariaso says Leyte could help through its geothermal power plant in Togonan, reputedly one of the largest in the world.

It was not until the '90s that a private power contractor supplied Samar Island with electricity. "I remember desperately asking a certain Aboitiz to supply Samar with power at any cost. Well, he did—using substandard cables and at exorbitant costs," Ariaso said. Apparently, the contractor thought the effort not very profitable because there were no factories and big electric consumers to buy power.

It's a chicken-and-egg thing. "Any development effort will come to naught without steady power to energize homes, parks, and factories," said Calbayog City Mayor Mel Sarmiento.

Ricardo Daiz, a foreign-based engineer before becoming mayor of Palapag town in Northern Samar, has proposed to his fellow mayors that they use a certain portion of their internal revenue allotment (IRA) for the improvement of Samar's power system.

The problem is, all six provinces in the Eastern Visayas region are heavily dependent on the IRA. On the average, they depend on this tax collection share from the national government for 95 percent of their operations cost. There's little or no room at all to set aside funds for harnessing the hydrothermal potential of Leyte.

Eco-tourism could be the region's alternative economic driver if—that's a big if—the region is prioritized in the National Integrated Protected Area System (NIPAS) program of the central government. The program seeks to identify potential adventure destinations that can be developed with financial help from the national government and, thus, provide livelihood for local residents. A bill has been filed in Congress to declare certain portions of the region as the Samar Island National Park.

However, the eco-tourism strategy runs in conflict with another potential income earner: mining. Most of Samar island sits on large deposits of bauxite, with an estimated value that runs into billions of dollars. Despite strong opposition from residents, several mining companies have been granted mineral production sharing agreements to tap this valuable resource that is used as raw material for aluminum.

But some residents keep their minds open regarding mining. They are waiting for mining companies to cite concrete steps that will ensure environmental protection and restoration, as well as the distribution and sharing of income with the locals.

Data for 2000 from the National Statistical Coordination Board showed that Southern Leyte is the only province in Region 8 that is not on the list of 44 poorest provinces in the Philippines.

Vicencio says the disparity in the development of the provinces within Eastern Visayas will be corrected once the region is left to decide how utilize its resources, raise revenues, and spend its income. At present, the national government allows the personal loyalties of politicians—and not the needs of the provinces—to dictate where infrastructure investments will be poured in.

"[The national government] is focusing on Eastern Samar because it delivered winning votes [for President Arroyo] in the last elections," Vicencio observed. He says the President has not given the same attention to the two other provinces that are equally poor but where she lost in the elections.

Vicencio acknowledges that the Samar island-state, if created, will need "a mix of transition support and personal sacrifices" by the leaders to gain economic momentum. "We also need a strong and focused leadership, and prayers, lots of prayers." N


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NORTH & WEST MINDANAO

PLAYING CATCH-UP

With abundant raw materials and cheaper power, the area bids fair to become one of the country's richest

BY **LALA RIMANDO** *in Misamis Oriental*

WHENEVER PEOPLE FROM NORTHERN MINDANAO ARE COMPARED to those from the Davao region in the south, a sense of competitiveness surfaces. Northern Mindanaoans tend to show off the best of their region and highlight the successes of Cagayan de Oro, the region's premier city.

Oscar Moreno, governor of Misamis Oriental province, offers an explanation: Davao and Cagayan de Oro (along with Zamboanga) were the first of Mindanao's oldest cities to become progressive. They are now the major regional centers vying for investments in trade, commerce, and industry, and are the prime locations of educational institutions, financial centers, and government offices. "There's a healthy rivalry between us," says Moreno, whose province is in Northern Mindanao.

Such competitiveness can be a foundation for Northern Mindanao and its neighboring regions—Caraga in the northeast and Zamboanga Peninsula in the northwest—to become economically independent once they become a federal state.

Northern Mindanao prides itself on its strategic location. Easily accessible to key cities like Manila and Cebu, it is the entry and exit point to and from the rest of Mindanao. With the existing Misamis Oriental-Bukidnon highway, the movement of goods and people to the southern cities of Davao and General Santos over land has become fast and more efficient, taking only about seven hours. The other route, which entails traveling around the island, takes about 36 hours more.

Add to that the fact that this proposed federal state hosts the main power sources for the whole of Mindanao æ the six hydroelectric plants in Agus River (667 megawatts) in Iligan, powered by the 320-foot-high Maria Cristina falls, and the hydroelectric plant in Pulangi River (255 megawatts) in Bukidnon. These power plants meet more than 90 percent of all the power needs of Mindanao. Since they are hydroelectric plants which harness power from natural resources, energy cost is lower not only because of cheaper maintenance expenses, but also because they don't incur the headache of skyrocketing costs of imported crude oil. Equally important, they are less of a pollutant.

FUEL FOR INDUSRIES

It was because of these power sources that industries sprouted in the region, starting with Iligan. The resulting economic activity spilled over to its neighbors, like Cagayan de Oro City in the east, which became the rest and recreation center for the region's growing middle class.

This is also the reason Northern Mindanao is better off among the three regions (the two others being Western Mindanao and Caraga) in the proposed state. In 2003, its local economy grew by 5.61 percent, higher than the entire Mindanao's 4.22 percent, and even the country's 4.7 percent.

By comparison, Western Mindanao grew by only 4.54 percent and Caraga, a measly 0.86 percent.

Northern Mindanao's performance can be attributed to its having a good tax base. About 70 percent of its local revenues come from income and property taxes, and only about 30 percent from business taxes. "This means our tax base is wide and that the income level of our people is above average," explains Casimira Balandra, Northern Mindanao director for the regional office of National Economic and Development Authority (NEDA). One reason is that the tax-mapping project has already been implemented, thus it is easier for revenue officers to determine how much tax income is due from properties and businesses. The region also boasts of a 24-percent savings rate, much higher than the national average of 15 percent.

Northern Mindanao is the least dependent on the Internal Revenue Allotment (IRA), which the central government collects from and distributes to local governments. In 2003, the region relied on IRA for only 69 percent of its budget. Its prime city of Cagayan de Oro had an IRA dependency of only 46 percent.

On the other hand, Western Mindanao had an IRA dependency of 80 percent and Caraga, 77 percent.

By these indicators, one way to make the proposed federal state economically independent is to first develop Northern Mindanao further, then replicate its achievements in the two other regions. This means that the federal state should give priority to the most efficient projects with the most favorable impact on the people. And as the history of the place has shown, the success of Northern Mindanao will likely seep to the other two regions.

The priority projects will have to do with infrastructure. This is crucial because Northern Mindanao is a major trading area for agricultural raw materials and processed goods, including those from South and Central Mindanao.

The proposed international airport in Laguindingan, Misamis Oriental, remains in the pipeline although its construction has long been approved. Its budget is said to have been diverted elsewhere. "If we are a federal state, we know this will be a priority for us and we can start the project without interference from the central government," says Ruben Vegafria, president of the Cagayan de Oro Chamber of Commerce.

The seaport in Cagayan de Oro is highly congested and is handling more than twice its capacity. To augment it, the Mindanao Container Terminal Project (MCTP) at the nearby

PHOTOGRAPH COURTESY OF GEM PROGRAM

corn, cauliflower, and tomatoes banded together so they could compete as a group in the markets of Cebu and Manila (the latter dominated by suppliers from Baguio). Because of the group's growing capacity and aggressive marketing, its vegetable production went up by around 30 percent last year.

With spacious grazing lands, abundant feeds, and location in a typhoon-free area, livestock farms (for chickens, pigs, cows, and even exotic animals like ostriches) are also flourishing.

Caraga, with 70 percent of its total area consisting of forestland, has soil and climate ideal for growing plantation crops like rubber, timber, oil palm, and abaca. It is rich in mineral deposits like iron, gold, silver, nickel, chromite, manganese, and copper. Nonoc Mines in Surigao del Norte is said to have one of the biggest nickel deposits in the world.

Western Mindanao also has various agricultural products, mostly coconut, rubber, and abaca. Being a peninsula, it has extensive water resources. Fish and other marine products abound. Dipolog City hosts several canning companies to process these products.

A few decades ago, the economies of Northern and Western Mindanao, and Caraga were highly dependent on agricultural activities. Because of access to cheap power, Northern Mindanao became attractive for investors to put up processing plants. The convergence of raw materials and processing industries added value to its agricultural products, thus hastening it economic growth.

There is a concentration of agro-industrial activities in Bukidnon and Misamis Oriental. The Philippine Veterans Investment Development Corp. (Phividec), a 3,000-hectare industrial estate in Misamis Oriental, the largest in the country, hosts not only agro-industrial firms that obtain their raw materials in nearby provinces, but also heavy industries like glass and wood manufacturers. It employs more than 2,000 people.

Of the proposed federal state comprising Northern Mindanao, Western Mindanao, and Caraga, Moreno says, "We may not be the richest in the country yet, but we have the chance to be." N

Phividec area started operations in 2004. It is a seven-hectare state-of-the-art container yard with an annual handling capacity of 270,000 container vans, far bigger than Cagayan de Oro port's 30,000-van capacity.

The MCTP has a 300-meter-long, 12-meter-deep quay, deeper than Manila ports' seven meters and Cebu's eight meters. Thus, according to Gabriel Evangelista, former administrator of Phividec, the MCTP in the future can accommodate mother ships, or the colossal trading ships that bring bulk goods from the US and Europe. At the moment only feeder ships are coming into the Philippines, not only because of berthing limitations of the major ports but also because the volume of goods is not yet enough to justify bidding for the mother ships to come over. Evangelista says this can be done "perhaps eight to 10 years from now, when our industries have become more developed, have further improved their productivity, and can better consolidate and market their goods."

One way to hasten the movement of goods to and from MCTP is to improve the roads leading to it. For example, the road that connects Bukidnon and MCTP today is a zigzag, which is dangerous for trucks with container vans. Local officials, who appreciate the importance of an alternative road, will surely give it priority if given a free hand under a federal setup.

BLESSED BY NATURE

The proposed state has a lot of natural resources it can harness to further improve its economy.

Northern Mindanao has an abundant supply of vegetables, fruits, meat, and fish. The province of Bukidnon is considered the region's food basket, being host to midland and highland plantations for pineapple, banana, and sugarcane. Scenic farms cover rolling terrains, valleys, plateaus, and cloud-capped hills. Bukidnon is home to the vast plantations of corporate farms like Lapanday, Dole, and Del Monte. About two years ago, growers of high-value vegetables like lettuce, broccoli, cabbage, carrots, bell pepper, sweet peas, sweet

CENTRAL & SOUTH MINDANAO

HOME OF BIG BUSINESS

Agro industry giants produce from Davao and Soccsksargen, but pay taxes in Manila. The 'food basket' regions want to collect what's due them.

BY **GEMMA B. BAGAYAUA** *in Davao del Sur*

IN THE EARLY 1900S, SETTLERS FROM LUZON AND THE VISAYAS came to what are now Davao Region and Soccsksargen in search of greener pastures. In recent years, natives of these regions, even those in the economic centers like Davao City and General Santos City, have left because they see few economic opportunities here.

It has reached the point where companies in the regions lack experienced managers who can professionally run businesses and increase the productivity of local companies, says Pilar Afuang, executive director of the General Santos City Chamber of Commerce and Industry. She says the educated residents often prefer to go abroad.

How could a land of milk and honey offer little to its sons and daughters? Rey Teves, a Davao City resident who co-founded the Citizens' Movement for a Federal Philippines, places the blame on the country's very centralized system of governance. Manila has effectively hijacked economic decision-making and taxing powers, to Mindanao's detriment.

Davao (Region 11) is composed of the provinces of Davao del Norte, Davao Oriental, Davao del Sur, and Compostela Valley. Soccsksargen (Region 12) is made up of North Cotabato, South Cotabato, Sarangani, and Sultan Kudarat provinces. Federalists are proposing that the two regions be merged to make the Central and South Mindanao state.

The two regions, located outside the typhoon belt, will be ideal for agribusiness investments. Together, they account for roughly 9 percent of the country's gross domestic product, a tenth of the country's population, and almost one-seventh of the total land area. Both are rich in mineral reserves. Davao's reserves of gold, in particular, are the country's largest.

Key industries in the Davao Region include plantation agriculture, agro-processing, livestock production, marine fisheries, aquaculture, manufacturing, and tourism. High value crops and fruits for export—like durian, mangosteen, *rambutan*, and pineapple—are grown in the region. The Davao Gulf is the Philippines' largest producer and exporter of Cavendish bananas.

Soccsksargen, on the other hand, produces 75 percent of the country's cotton, 40 percent of its pineapples, and 30 percent of its corn. It is one of the leading fish centers in East Asia, the country's leading producer of asparagus, and ranks second nationwide in livestock production.

Davao City and General Santos City, the respective economic capitals of Regions 11 and 12, host international airports and seaports that serve as outlets for this exports.

PEACE AND ORDER

Yet people remain poor. Sarangani, a province in Soccsksargen, was the second poorest province in 2000. Close to a third of families in the province do not earn enough to buy their basic needs. The Soccsksargen region has one of the lowest literacy rates in the country. Unemployment and underemployment levels in this region are in double-digit numbers.

Partly due to poverty, the regions have peace and order concerns. Davao Region is home to one of the most organized and well-funded units of the National People's Army. Last Valentine's Day, the cities of Davao and General Santos were bombed by the same terrorist group that set off a bomb in Makati City.

The local government units (LGUs) hardly help to alleviate poverty because they can't—or don't—raise enough revenues. Many of the LGUs are dependent on the internal revenue allotment (IRA). The Davao Region and Socsksargen depend on their share from the national income tax collection for 90 percent and 93 percent, respectively, of their local expenditures.

Teves says LGUs have few sources of revenue because the national government is the one that decides and gets the lion's share of benefits from the disposition of natural wealth in the locality.

Since the national government controls much of the revenues, Afuang says, it takes a long time for big government projects requiring national funding to get approved. "Even if you are a mayor who is running your office well, your projects will still be hindered."

Major economic decisions are also often made at the national level. In many cases, even simple business requirements have to be processed in the National Capital Region. This poses problems for companies in the provinces.

The cities of Davao and General Santos are a long way from Metro Manila. It is tedious for companies doing business here to be following up require-

Gen. Santos is a leading fish center in East Asia.

Davao produces pineapples for export.

BOBBY TIMONERA

suspended classes and work activities nationwide because Luzon was being hit by a typhoon, Romeo Serra, vice-chair of the Mindanao Business Council, said. At the time, the weather in Mindanao was relatively fair. That led to substantial business losses, Serra added.

For Regions 11 and 12, the worst effect of having a centralized system of government is that companies whose main sources of income are located in the regions often see the need to build their head offices—and therefore pay their huge taxes—in Manila, Serra complains.

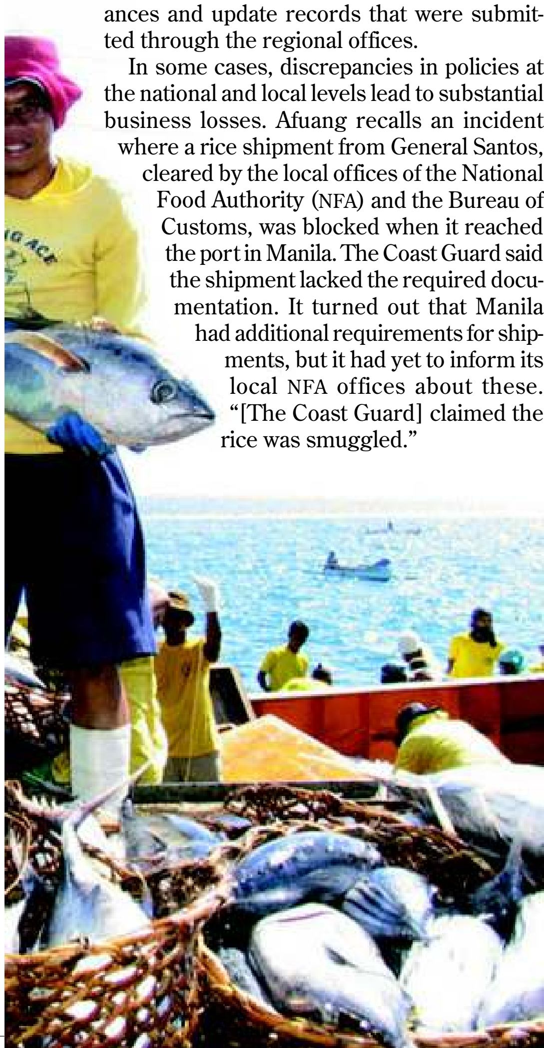
A number of big foreign and domestic corporations do business in the two regions, among them the San Miguel Corp., DOLE Philippines, Del Monte Fresh Produce, Lapanday Foods Corp., Davao Fruits Corp., Pioneer, Syngenta, and Marsman Drysdale. Davao is also home to one of the country's largest cement plants.

The only revenue that local governments earn from these industry giants come in the form of business permits.

This is also true with regard to banks, Serra says. "They remit their incomes to their national offices."

ments in the head offices of key government agencies in Manila. Afuang cites as example the considerable time it takes the national offices of the Social Security System, the Bureau of Internal Revenue, and the Home Development Mutual (Pag-Ibig) Fund to issue clearances and update records that were submitted through the regional offices.

In some cases, discrepancies in policies at the national and local levels lead to substantial business losses. Afuang recalls an incident where a rice shipment from General Santos, cleared by the local offices of the National Food Authority (NFA) and the Bureau of Customs, was blocked when it reached the port in Manila. The Coast Guard said the shipment lacked the required documentation. It turned out that Manila had additional requirements for shipments, but it had yet to inform its local NFA offices about these. "[The Coast Guard] claimed the rice was smuggled."



JOE GALVEZ

POLICY GAPS

Businessmen, Afuang points out, want faster transactions because goods are subject to price fluctuations and food items could get spoiled. The rice shipment in this case eventually got released—but not after almost a month. "This is a problem for the agriculture sector here."

Manila's distance and lack of awareness of conditions in the regions have also led to gaps in policy. For instance, years after Region 12 was reorganized administratively as Soccsksargen, Manila has yet to appoint representatives from the area to the regional wage and productivity board, General Santos City-based lawyer Tom Falgui told NEWSBREAK. To think that the area accounts for around 85 percent of regional income, he said.

There was also a time when Malacañang

WHIPPING BOY

Once the Davao Region and Soccsksargen become a federal state, Afuang believes, red tape will be reduced, and therefore more investors will come in. This would then lead to increased tax collections. It will also be easier to make revenue officials accountable if they are closer to their constituencies and therefore easier to monitor.

With the states taking control over local revenues, funding for area development programs need not be submitted to the national level, Serra says.

Teves acknowledges that not all LGUs in Davao Region and Soccsksargen are prepared to stand on their own, but says this is precisely where the shift to federalism could help. The new system will "force locals governments to earn their keep and spend it only on necessary things" and encourage them to think of "out-of-the-box ideas," Teves said.

The IRA system, however well-meaning it was when it started out, has fostered a system of dependency among local government officials—they act like *pensionados*, he says. The way things are, Teves says, local governments have a convenient excuse for poor delivery of services: that the national government fails to provide adequate funds. With no national government to serve as whipping boy, LGUs will be encouraged to be more efficient and to avoid waste, Teves says.

Allowing an independent Central and South Mindanao state more control over its resources to set its own economic direction is one way to create opportunities within the state to attract back the professionals and the highly skilled workers, Teves says. "The tendency to flock to Metro Manila will be reduced." Or it may completely stop. N

BANGSAMORO

'MAKE IT A FREEPORT

The Muslim region can then independently trade with their neighboring countries, like Indonesia

BY **LALA RIMANDO** *in Tawi-Tawi*

WHEN ASKED IF THEY WANT THE AUTONOMOUS REGION IN Muslim Mindanao (ARMM) to become a federal state, politi cal and business leaders from the region, most of them Mus lims, gave an overwhelming "Yes!"

ARMM is composed of the provinces of Lanao del Sur and Maguindanao in mainland Mindanao, and the island provinces of Basilan, Sulu, and Tawi-Tawi. Business and political leaders interviewed for this story were attending in late June the 4th ARMM Business Council in Bongao, Tawi-Tawi, the easternmost island province of the region.

But the key question is, can ARMM afford to be economically independent? If current numbers are an indication, the answer is no. The region is too dependent on the Internal Revenue Allotment (IRA). In fact, different cities and municipalities rely on IRA for as much as 90 to 100 percent of their total fiscal needs.

Many Muslims bemoan the fact that their IRA is small—only P5 million to P6 million or a mere 1.5 percent of the total annual collections. The region's actual internal revenue collections are even smaller: only P300 million. "In other words, we are receiving far more than we are giving," said Zainudin Malang, a business consultant for ARMM.

Therefore, how can the region, one of the poorest in the country, fend for itself under a federal setup?

For the Mindanao Business Council (MBC), it is best if the entire Mindanao turns into a federal state and ARMM will just become part of it. It would be big enough to survive economically, and independent enough to chart its own course. This is the form of federalism that the council has been advocating.

Ricardo Juliano, a trustee of the MBC, says ARMM will be too weak to start on its own. According to the regional development plan of the National Economic and Development Authority (NEDA), ARMM is home to about 2.9 million people, of whom about 72 percent live below the poverty threshold. The literacy rate of 73 percent is significantly lower than the national literacy rate of 92 percent, and is attributed to factors such as low family income, distance of schools from the residents, poor health and nutritional status. Also, nearly half of its national roads are still unpaved, and only about half of total households have electricity.

UNDERGROUND ECONOMY

But should ARMM be made a separate federal state, there are economic opportunities that can help it stand on its own. It can freely trade with neighboring countries like Malaysia and Indonesia. This is especially true for the people in the island provinces of Basilan, Sulu, and Tawi-Tawi.

According to Tawi-Tawi Gov. Hadji Sadikul Sahali, going to nearby Sabah, Malaysia, is just like visiting close relatives. There is a lot of undocumented cross-border trading. "It is physically impossible for Customs people to check on these trades because they lack personnel and are located in Bongao or in Zamboanga. It doesn't make sense to them why the traders have to go all the way to these Customs offices when they are just a breath away from their trading destination."

Sahali proposes making these areas a free port to legalize the underground economy. He says that if ARMM becomes a federal state, it can independently negotiate with its neighbors.

A trader who plies this route told NEWSBREAK that in Sabah, two of the ports of entry they frequent are Tawao and Sampulan. By wooden hull, Tawao is about 12 to 15 hours away from Bongao. (Zamboanga, a trading center nearest the island provinces of ARMM, is about 30 hours away.) Sitangkay, the easternmost island of Tawi-Tawi and where seaweed farmers abound, is only about one to three hours away from Sabah.

Besides the distance, traders enjoy a higher price for their seaweed products at Tawao. Buying prices there are at least five percent more than what their buyers from Zamboanga offer. There is a big seaweed processing plant in Tawao.

They also sell various Filipino products, such as beauty products made by RDL Inc. and Splash Corp. Their whitening products are in demand in Indonesia. Traders sometimes brave 90 to 100 hours of travel, or three days, to go to Sulawesi to deliver these items. If the order is not immediate, they bring it to Tawao, from where it is subsequently shipped to Sulawesi via a commercial boat. Traders sometimes travel all the way to Sulawesi and to Tawao with up to 1,500 boxes of beauty products. One box contains about 144 bottles.

Tawi-Tawi is the biggest producer of seaweeds in the world

From the sales, they bring home with them Malaysian commodities, such as rice, sugar, biscuits, and palm oil. These are up to 30 percent cheaper than those they can get from Zamboanga. Malaysian rice is cheaper and of higher quality, while the palm oil is way cheaper at only P540 per bottle in Malaysia, compared to Zamboanga's going rate of P700 per bottle. Even if retailers from Tawi-Tawi add a three-percent mark up to these commodities, the prices are still considerably low

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ndonesia and Malaysia

CLEDE ARACHISA

and more affordable.

The trader says that unlike the Philippines, Malaysia understands and appreciates the trading activities. In fact, in Tawao, there is a separate port for international vessels and another one exclusively for Filipino and Indonesian traders. The latter has a complete system for customs, immigration and quarantine requirements.

RAW MATERIALS

ARMM can also be economically independent by harnessing its natural resources. Economic activities in the region are predominantly in agriculture, fishery, and forestry, which account for 60 percent of the region's total economy. ARMM is endowed with favorable climate, and its mainland provinces are blessed with wide forest area and fertile valleys.

The fertile soil of Maguindanao and Lanao is suitable for large-scale plantations. There are already numerous industries in the region such as banana production, corn and cassava starch processing, coco-oil milling, and plywood and wood product making.

Antonio Santos, MBC chairman, said he recently invited investors from Saudi Arabia and Iran who were very impressed by the quality of the soil. However, the investments did not push through because of apprehensions about the peace and order situation.

The island provinces, for their part, have long stretches of coastline where offshore fishery is abundant. In fact, while General Santos City in the mainland is considered the tuna capital of the Philippines, most of the tuna are actually caught in the waters of Sulu.

Seaweed farming is also a dominant activity in these island provinces, especially in Tawi-Tawi. Fresh and dried seaweeds produced in the deep and shallow seas of these island groups make the Philippines the biggest producer of seaweeds in the world.

However, all these agricultural and fishery products currently make ARMM a mere raw material supplier. To add value, they need to be processed so they can be sold and marketed to the end users.

Several factors explain why ARMM has not graduated from being a raw material supplier. Pre- and post-harvest facilities are inadequate, mainly because of the high cost of inputs; poor marketing and inadequate infrastructure support and facilities, like farm to market roads; and low level of investment because of the unstable peace and order situation.

POWER COST

But the main culprit is the high cost of power. This is evident in the three island provinces. Because of geographic limitations, they are served with very expensive off-grid sources, like barges and drums of diesel. End users pay P8 to P9 per kilowatt hour, a far cry from the estimated P4 per kilowatt hour paid by those in Zamboanga.

The cost is high because of high system losses and low collection efficiency. For every 1,000-kilowatt hour power sold by Napocor, only 6,000 kilowatts reach the users, and of this, only 300 kilowatt hours is collected. Thus, intermittent power interruptions are experienced, a nightmare for power-hungry processing plants for seaweed and other products.

To address this, residents and potential industrial players have been buying diesel worth only P11 per liter in Sabah. About 80 percent of the cost of power is from the cost of diesel.

Don Loong, Sulu provincial administrator, says this price is far cheaper than the going rate of P30 per liter that Napocor supplies them in barges and drums. "If we are allowed to buy our diesel from Malaysia without intervention from the national government, we can cut into half our power cost – from P9 to about P4.50. Imagine what that can do to our attractiveness to investors. They would now want to put up their processing plants here. It is very strategic because they will be near the sources of the raw materials."

Other sources of power are being explored. There is a deposit of natural gas in the Liguasan Marsh in Maguindanao, which when harnessed can be used to supply power to mainland ARMM and can also be sold for a profit to other parts of Mindanao. There is a potential oil source in the Tawi-Tawi waters which will soon be drilled by a consortium of investors to check if the supply is commercially viable.

A study shows that Tawi-Tawi is an ideal site for a windmill, another source of low-cost power.

The availability of low-cost power may not only pave the way for the entry of investors in processing plants for seaweeds and other commodities, but also in cold storage facilities. These will make it possible for investors to directly export fish without sending it to General Santos and Zamboanga.

Another infrastructural concern that needs to be addressed is the road and sea transport within the ARMM provinces. At present, there is an international port in Malang, Maguindanao, Polloc Port. It was originally envisioned to be the regional agri-industrial center for ARMM. Raw material and processed goods from Maguindanao, Lanao and Cotabato can be shipped from there, en route to Luzon or Visayas, or to international markets.

Currently, these goods are brought all the way to Davao for shipment. Malang says that under a federal state, ARMM need not have to wait for the national government to develop the economic potentials of the port.

TAXES

Another potential source of economic activity is tourism. The island provinces can develop some resorts for diving enthusiasts, like how Malaysia packaged its remote islands. Currently, tourism prospects are dampened by poor infrastructure facilities and perception problems.

All these may remain a dream if the region will just depend on its own resources. To be financially independent, one important source of funds will be the donor community and the multilateral agencies.

Business and political leaders told NEWSBREAK they will leverage their being a conflict area on its way to becoming economically independent. Sulu's Loong says that federalism will enable ARMM to source funds from the ODAs and the donor communities.

These sources of funds will have to be complemented by taxes collected locally. Within the 10-year transition period for ARMM proposed by federalist scholar Jose Abueva, the industries and economic activities are expected to improve employment statistics and per capita income. At the moment, the tax base is very low. Many Muslims do not pay their property taxes because they justify that it was Allah himself who gave them their land. Thus, strategies that need to be implemented include a proper accounting of the tax base of the region. N

Behind the Headlines and Primetime News

WHAT HAPPENS INSIDE THE NEWSROOM? HOW ARE THE HEADLINES and top stories decided? Who calls the shots?

NEWSBREAK, in cooperation with Pathways, organized a media literacy forum on July 8 at the Ateneo University in Loyola Heights, Quezon City. Sponsored by the Ayala group of companies, the forum sought to answer basic questions about how media organizations work. The audience was composed of students from various universities.

The message NEWSBREAK imparted to the youth was: Engage the media and make news organizations accountable.



MEDIA PANEL: Luchie Cruz of ABS-CBN, John Neri of the Inquirer, and Glenda M. Gloria of Newsbreak

PASSION FOR JOURNALISM: Maria Ressa, senior VP for news of ABS-CBN, delivers keynote address

LEADING THEYOUTH: Harvey Keh, Pathways head

MAIN PRESENTOR: Ateneo's Chay Florentino Hofileña

FORUM MODERATOR: David Celdran of ANC

Glenda M. Gloria (right) receives the plaque and cash prize from JVOAEJ trustees

NEWSBREAK Awarded Anew for Journalism Excellence

FOR THE FOURTH STRAIGHT YEAR SINCE its inception, NEWSBREAK magazine in July received several Jaime V. Ongpin Awards for Excellence in Journalism (JVOAEJ), which are administered by the Center for Media Freedom and Responsibility.

Glenda M. Gloria, NEWSBREAK's managing editor, won the second and third prizes in the investigative reporting category for a series of articles on corruption in the armed forces. The second-prize article, "Cover-up in the military," detailed how the top brass in the AFP knew that Gen. Carlos Garcia, as comptroller, was diverting military funds to his bank accounts and to the purchase of several real properties. It was co-written with contributing writer Raphael Martin, and was published Nov. 8, 2004.

The piece that won the third prize, "A comptroller's hidden wealth," reported that Garcia's predecessor, Gen. Jacinto Ligot, also used his position to amass wealth, including a number of properties in the United States. The article triggered an investigation by the Office of the Ombudsman. Published on Dec. 20, 2004, the article included reports from NEWSBREAK writers here and abroad. It came out with a related story, "The godfather," about Col. George Rabusa, another military comptroller who had amassed wealth apparently illegally.

In the explanatory reporting category, Chay

PHOTOGRAPHS BY PAUL MATA

Chay Florentino Hofileña and Aries Rufo, with Australian Ambassador Tony Hely. Winning the top prize in the explanatory reporting category goes with an award for a study tour of Australian cities.

Florentino Hofileña and Aries Rufo, NEWSBREAK's former associate editor and current senior writer respectively, won the first prize for "The showbiz press gets into politics," which explored how the entry of entertainment personalities in politics affected the way the elections were being covered. The piece, which they wrote for the Philippine Center for Investigative Journalism (PCIJ), was published in several newspapers on May 3 and 4, 2004.

The other JVOAEJ winners were Yvonne T. Chua of the PCIJ, who won first prize in the investigative reporting category (with reports from Avigail Olarte and Booma B. Cruz) and second prize in the explanatory reporting category. The third prize went in the explanatory category went to Laarni A. Ortiz of *BusinessWorld*.

Other NEWSBREAK stories made it to the finals were: "A mega killing" (by Aries Rufo, Aug. 16, 2004) and "The untaxable church" (Aries Rufo, Nov. 8, 2004), and "Reclaiming land, Tony Leviste-style" (Gemma B. Bagayaua, March 15, 2004), investigative category; "Survey agencies on center stage" (Miriam Grace A. Go, April 12, 2004) and "Fat cats" (Lala Rimando, Dec. 6, 2004), explanatory category.

Fastfood Education: Is the Market King?

WITH SUCH PROVOCATIVE TITLE for a forum, what can one expect? A spirited discussion on the state of college education in the country.

The RCBC, in cooperation with NEWSBREAK and The Probe Team, sponsored and organized the forum at the RCBC Carlos P. Romulo auditorium on June 21. Big names in the education sector graced the symposium, which was moderated by an equally big name in the broadcast industry.

The highlights of the discussion included the controversial mass production of nurses for export, the market-oriented business model of franchised education, and the problems besetting the Commission on Higher Education. The exchange was lively and candid with host Che-Che Lazaro's no-holds-barred questioning of the guests.

Here are snapshots from the forum.

MR. EDUCATION: Sen. Edgardo Angara knows his stuff.

TROUBLE IN CHED: Carlito Puno, chairman of the Commission on Higher Education, confronts problems.

NO HOLDS BARRED: Che-Che Lazaro asks questions pointblank.

PUSHING SCIENCE EDUCATION: Reynaldo Vea, president of the Mapua Institute of Technology

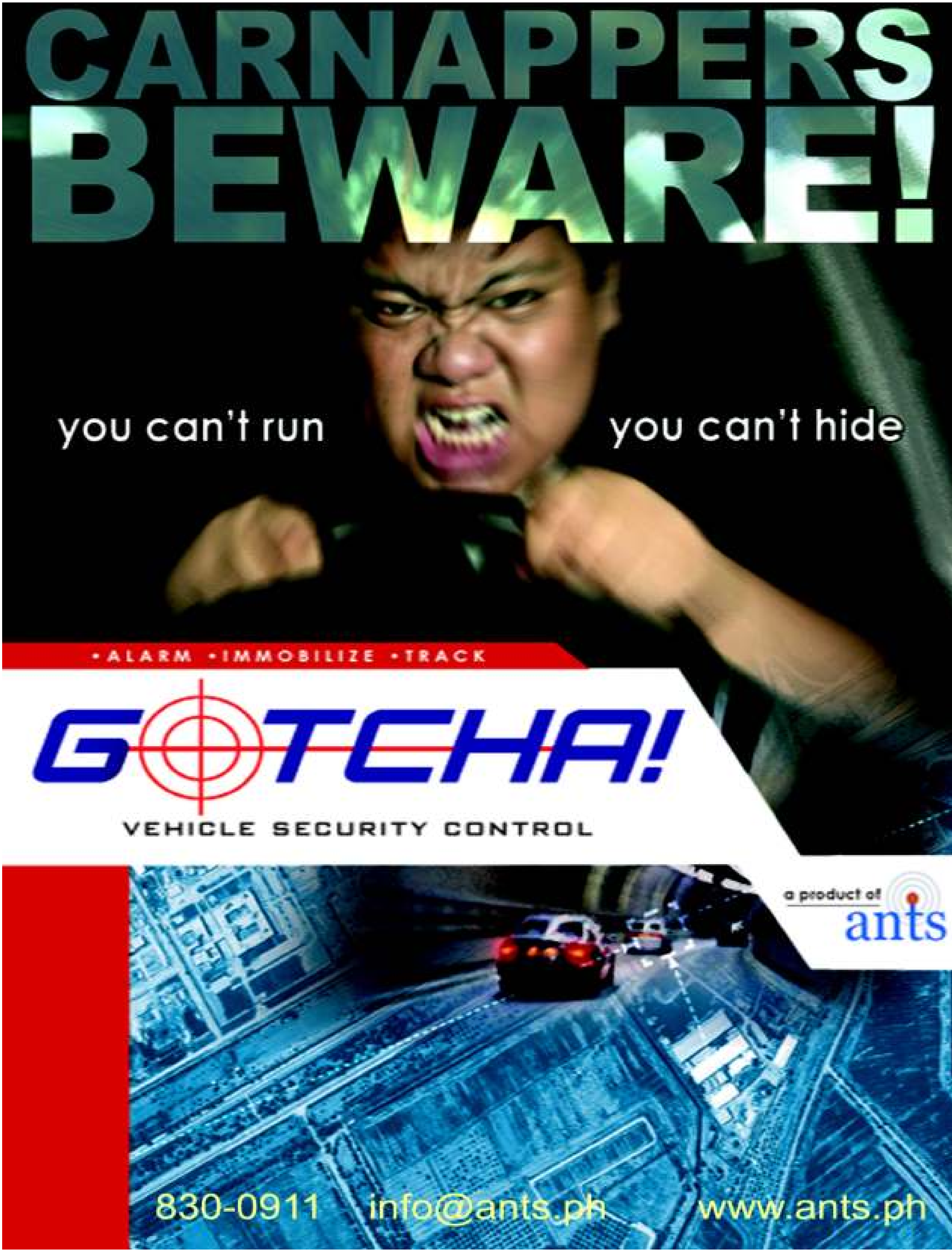
BALANCING COMMERCE AND QUALITY EDUCATION: Chito Salazar, Araullo University president

VOICE FROM CONGRESS: Rep. Mario Aguja, committee on education

RAPT ATTENTION: The audience listens.

QUESTIONS, QUESTIONS: NEWSBREAK managing director Ma-an Hontiveros reads questions from the floor.

PHOTOGRAPHS BY PAUL MATA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DREAM
Mikee Cojuangco-Jaworski